Preface

Government commercial concerns, the accounts of which are subject to audit by the Comptroller and Auditor General of India, fall under the following categories:

(i) Government Companies,

(ii) Statutory Corporations, and

(iii) Departmentally managed commercial undertakings.

2. This Report deals with the results of audit of Government Companies and Statutory Corporations and has been prepared for submission to the Government of Rajasthan under Section 19A of the Comptroller and Auditor General's (CAG) (Duties, Powers and Conditions of Services) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are included in the Report of the Comptroller and Auditor General of India (Civil) - Government of Rajasthan.

3. Audit of the accounts of Government Companies is conducted by the Comptroller and Auditor General of India under the provisions of Section 619 of the Companies Act, 1956.

4. In respect of Rajasthan State Road Transport Corporation which is a Statutory Corporation, the Comptroller and Auditor General of India is the sole auditor. In respect of Rajasthan State Warehousing Corporation, he has the right to conduct the audit of their accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with CAG. As per the State Financial Corporation's (Amendment) Act 2000, CAG has the right to conduct the audit of the accounts of Rajasthan Financial Corporation in addition to the audit conducted by the Chartered Accountants appointed by the Corporation out of the panel of auditors approved by the Reserve Bank of India. The Audit Reports on annual accounts of all these Corporations are forwarded separately to the State Government.

5. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2008-2009 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period after 31 March 2009 have also been included, wherever necessary.

6. The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department issued by the Comptroller and Auditor General of India.

Overview

1. Overview of Government companies and Statutory corporations

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2009, the State of Rajasthan had 29 working PSUs (26 companies and 3 Statutory corporations) and 4 non-working PSUs (all companies), which employed 0.85 lakh employees. The working PSUs registered a turnover of Rs. 17,510.67 crore for 2008-09 as per their latest finalised accounts. This turnover was equal to 9.12 *per cent* of State GDP indicating an important role played by State PSUs in the economy.

Investments in PSUs

As on 31 March 2009, the investment (Capital and long term loans) in 33 PSUs was Rs. 28,485.12 crore. It grew by over 102.35 *per cent* from Rs. 14,077.15 crore in 2003-04. Power Sector accounted for nearly 93 *per cent* of total investment in 2008-09. The Government contributed Rs. 2,792.11 crore towards equity, loans and grants/subsidies during 2008-09.

Performance of PSUs

During the year 2008-09 as per their latest finalised accounts, out of 33 working PSUs, 13 PSUs earned profit of Rs. 348.40 crore and three PSUs incurred loss of Rs. 34.41 crore while five power sector PSUs incorporated in 2000-01 prepared accounts on No Profit No Loss basis by showing revenue gap as recoverable from the State Government which was not as per Generally Accepted Accounting Principles (GAAP) prevailing in the country. The major contributors to profit were Rajasthan State Mines and Minerals Limited (Rs. 183.45 crore) and Rajasthan State Industrial Development and Investment Corporation Limited (Rs. 131.21 crore). Heavy losses were incurred by Rajasthan State Road Transport Corporation (Rs. 23.57 crore).

The losses are attributable to various deficiencies in the functioning of PSUs. A review of three years' Audit Reports of CAG shows that the State PSUs' losses of Rs. 1005.55 crore were controllable with better management.

Thus, there is tremendous scope to improve the functioning and enhance profits. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for professionalism and accountability in the functioning of PSUs.

Quality of accounts

The quality of accounts of PSUs needs improvement. Out of 22 accounts finalised during October 2008 to 30 September 2009, 21 accounts received qualified certificates. CAG gave adverse certificates on four accounts of PSUs relating to power sector during the supplementary audit. There were 18 instances of non-compliance with Accounting Standards. Reports of Statutory Auditors on internal control of the companies indicated several weak areas.

Arrears in accounts and winding up

All working PSUs were finalizing their accounts yearly on regular basis except Ajmer Vidyut Vitran Nigam Limited (AVVNL) and Kota City Transport Services Limited. AVVNL could not finalize its accounts due to non compliance with Accounting Standards and other observations of Statutory Auditors, while Kota City Transport Services Limited was a new PSU. There were four non-working PSUs of which two PSUs had arrears of accounts for one year. As no purpose is served by keeping these PSUs in existence, they need to be wound up quickly.

Discussion of Audit Reports by COPU

The Audit Reports (Commercial) for 2006-07 onwards are yet to be discussed fully by COPU. These two audit reports contained 10 reviews and 42 paragraphs of which three reviews and 11 paragraphs for the year 2006-07 have been discussed.

(Chapter 1)

2. Performance Audit relating to Government Companies

Performance Audit relating to **'Fuel Management' in Rajasthan Rajya Vidyut Utpadan Nigam Limited** and **'IT Audit on Computerisation of revenue billing system' by Ajmer Vidyut Vitran Nigam Limited** were conducted. Executive summary of audit findings is given below.

Fuel Management in Rajasthan Rajya Vidyut Utpadan Nigam Limited

The Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL) operates two coal based thermal power stations at Kota (1,045 MW) and Suratgarh (1,250 MW) and two gas based thermal power stations at Ramgarh (110.5 MW) and Dholpur (330 MW). Fuel comprising of coal and gas were major component for generation of electricity. Fuel cost (Rs. 14,336.59 crore) constituted 88.69 *per cent* of total generation cost (Rs. 16,165.25 crore) during 2004-05 to 2008-09 in respect of Kota, Suratgarh and Ramgarh power stations. The performance audit was conducted to ascertain fuel efficiency in power generation, economy in procurement and transportation, effectiveness of quality assurance and energy audit, actual consumption against norms, inventory management and financial management with reference to fuel.

Procurement of fuel

Coal is allotted by Standing Linkage Committee (SLC) from different collieries. As against required quantity of 647.53 lakh MT, SLC allotted 691.50 lakh MT but the actual receipt thereagainst was only 592.68 lakh MT during 2004-09. Since RRVUNL had projected the requirement above the Central Electricity Authority targets for generation, there was no shortfall. The cost of coal was Rs. 7,584.73 crore. There was decrease in linkages from superior coal fields. The beneficiation of coal was not 100 *per cent* resulting in savings of Rs. 24.79 crore not achieved.

The tie-up with GAIL for supply of gas was not for adequate quantity. This resulted in loss of generation of 1,426.64 MUs as the Plant Load Factor ranged between 36 and 45 as against 70 *per cent* fixed by Rajasthan Electricity Regulatory Commission (RERC).

Transportation of fuel

The coal is transported through Railway wagons. Out of total cost of Rs. 13,847.14 crore on coal fuel, transportation accounted for Rs. 6,262.41 crore (over 45 *per cent*). No norm for transit loss was fixed. Taking the norm of 1.5 *per cent* fixed for contractor of beneficiated coal, the excess transit loss worked out to Rs. 49.95 crore. The RRVUNL didn't follow the proper quality assurance procedures. The claims for Rs. 94.12 crore for under loading and over loading were not preferred/adjusted.

Consumption of fuel

The actual consumption of coal and gas was higher than the norms fixed by RERC.

The excess consumption of coal due to higher Station Heat Rate than the norms was valued at Rs. 245.10 crore.

Inventory management

Safe and critical level of coal stock was prescribed at 15 days and 7 days respectively. On several occasions the coal level remained critical during 2006-07 to 2008-09.

Financial management

The financial management was deficient as instances of delay in realisation of claims, payment for coal supplies *etc*. were noticed.

Energy audit

Energy audit was not undertaken for reducing the heat losses.

Conclusion and Recommendations

Fuel management system of RRVUNL did not meet the expectation of being operated economically and efficiently. System of procurement and transportation of fuel was deficient and the actual consumption of coal and gas was higher. There was considerable scope for improvement in performance of fuel management system to enhance overall operational performance. The review contains eight recommendations which include close monitoring of transit losses and analysis of reasons for excess consumption of coal for taking remedial measures.

(Chapter 2.1)

IT Audit on Computerisation of revenue billing system by Ajmer Vidyut Vitran Nigam Limited

Ajmer Vidyut Vitran Nigam Limited (Company) outsourced (May 2005) the work of design, development and maintenance of billing software, data processing of billing data, printing of bills and preparation of various management reports in respect of various circles to two service providers viz; Business Information and Processing Services (BIPS) and Aditi Computers. An Information Technology Audit on billing system of the Company was attempted to ascertain that the Company, before awarding the work of its core activity of revenue realisation, has adequately addressed the associated risks of outsourcing. Further, the audit was also conducted to examine, analyse and to assess adequacy and effectiveness of billing process and revenue realisation.

Computerisation of revenue billing of the Company was assessed against the Tariff for supply of electricity-2004, and Terms and Conditions of Supply

(TCOS) -2004, Rules, notifications, directions issued by the Rajasthan Electricity Regulatory Commission (Commission) and orders and circulars issued by the Company. The data available with the Company was analysed with the help of Computer Assisted Audit Techniques.

Though the system developed by both the service providers was adequate as regards to processing of billing data and generation of electricity bills yet there were many shortcomings leading to incorrect billing as well as not achieving full potential of IT applications. In a broader way, observations of audit have been categorised as deficiencies of general controls, system design deficiencies, deficient mapping of business rules, application controls such as deficient input controls and validation checks etc. Besides, some contractual deficiencies, non-reconciliation of data available in the system with financial statements of the Company were also noticed. Need to establish an effective internal control mechanism as regards to IT applications was also felt.

(Chapter 2.2)

3. Performance Audit relating to Statutory Corporation

Performance Audit on the **'Functioning of Rajasthan State Road Transport Corporation'** was conducted. Executive summary of audit findings is given below.

The Rajasthan State Road Transport Corporation (Corporation) provides public transport in the State through its 48 depots. The Corporation had fleet strength of 4,875 buses as on 31 March 2009 and carried an average of 10.62 lakh passengers per day. It accounted for a share of 17.31 *per cent* in public transport with rest coming from private operators. The performance audit of the Corporation for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Corporation.

Finances and Performance

The Corporation suffered a loss of Rs. 88.16 crore in 2008-09 without considering prior period adjustments. Its accumulated losses and borrowings stood at Rs. 602.51 crore and Rs. 210.24 crore as at 31 March 2009, respectively. The Corporation earned Rs. 18.01 per kilometre and expended Rs. 19.47 per kilometre in 2008-09. Audit noticed that with a right kind of policy measures and better management of its affairs, it is possible to increase revenue and reduce costs, so as to earn profit and serve its cause better.

Declining Share

Of 19,268 buses licensed for public transport in 2008-09, about 25.30 *per cent* belonged to the Corporation. The percentage share declined marginally from 25.85 *per cent* in 2004-05. However, since the load factor (percentage of passengers carried to seating capacity) of buses of private operators was higher, the percentage of the Corporation in public transport was estimated at 17.31 *per cent* in 2008-09 which declined from 18.27 *per cent* in 2004-05. The decline in share was mainly due to its operational inefficiency (leading to non-availability of adequate funds to replace/add new buses) and lack of support from the State Government. Nonetheless, vehicle density (including private operators buses) per one lakh population increased marginally from 28.75 in 2004-05 to 28.89 in 2008-09 indicating stability in the level of public transport in the State.

Vehicle profile and utilisation

Corporation's buses consisted of own fleet of 4,680 buses and 195 hired buses. Of its own fleet, 514 (10.98 *per cent*) were overage, *i.e.*, more than eight years old. The percentage of overage buses declined from 19.70 *per cent* in 2004-05 due to acquisition of 2,044 new buses during 2004-09 at a cost of Rs. 236.09 crore. The acquisition was primarily funded through net addition of loans (Rs. 61.71 crore) and deferment of payment of current liabilities.

Corporation's fleet utilisation at 93.48 *per cent* in 2008-09 was above All India Average (AIA) of 92 *per cent*. Its vehicle productivity at 388 kilometres per day per bus was above the AIA of 313 kilometres. Similarly, its load factor at 71.83 *per cent*, remained above the AIA of 63 *per cent*. However, the Corporation could not achieve its own targets of vehicle productivity and load factor though the same were fixed after taking into consideration the local factors and constraints. Though, the Corporation did well on operational parameters, its 87 *per cent* schedules of buses were unprofitable due to high cost of operations and non-reimbursement of full cost of free/concessional passes by the Government. Corporation's performance on preventive maintenance was poor with only about 42-43 *per cent* maintenance done on time.

Economy in operations

Manpower and fuel constitute 75.69 *per cent* of total cost. Interest, depreciation and taxes account for 14.05 *per cent* and are not controllable in the short term. Thus, the expenditure control has to come from manpower and fuel. The Corporation succeeded in reducing the manpower per bus from 5.21 in 2004-05 to 4.70 in 2008-09. However, the expenditure on repairs and maintenance was Rs. 97.39 crore (Rs. 2.08 lakh per bus) in 2008-09, of which nearly 89 *per cent* was on manpower. The Corporation did not attain its own fuel consumption targets resulting in excess consumption of fuel valued at Rs. 30.42 crore during 2004-09.

The Corporation has just 195 hired buses where bus owners provide buses with drivers and incur all expenses. The Corporation provides conductors and makes payment as per kilometres operated. The Corporation earned a net profit of Rs. 3.53 crore from hired buses. As this arrangement has the potential to cut down the cost substantially, the Corporation needs to explore possibility to replace overage buses by hired buses in future.

Revenue Maximisation

Corporation's staff at depot and Head office conduct enroute checking of buses. The ticket less travel reported by Headquarters staff was much higher than that reported by depot level staff. This is one area for the Corporation to plug leakage of revenue. The Corporation also incurred a loss of Rs. 31.60 crore during 2004-09 due to non-reimbursement of free/concessional passes by the Government. Further, the Corporation has about 16 lakh Square metres of land. As it mainly utilises ground floor/ land for its operations, the space above can be developed on public private partnership basis to earn steady income which can be used to cross-subsidise its operations. The Corporation has not framed any policy in this regard.

Need for a regulator

The fare per kilometre stood at 52 paise from 28 June 2008. Though the Government approves the fare increase, there is no scientific basis for its calculation. The Corporation has also not formed norms for providing services on uneconomical schedules. Thus, it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address grievances of commuters.

Inadequate monitoring

The fixation of targets for various operational parameters and an effective Management Information System (MIS) for obtaining feed back on achievement thereof are essential for monitoring by the top management. The monitoring by the Board of Directors fell short as it did not take/recommend suitable measures to control the cost and increase the revenue.

Conclusion and Recommendations

Though the Corporation is incurring losses, it is mainly due to its high cost of operations and negligible reliance on hired buses and not due to low fare structure. The Corporation can control the losses by resorting to hiring of buses and tapping non-conventional sources of revenue. This review contains seven recommendations to improve the Corporation's performance. Hiring of buses, creating a regulator to regulate fares and services and tapping non-conventional sources of revenue by undertaking PPP projects are some of these recommendations.

(Chapter 3)

4. Transaction audit observations

Transaction audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

Loss of Rs. 652.42 crore in six cases due to non compliance with rules, directives, procedures, terms and conditions of contracts.

(Paragraphs 4.1, 4.4, 4.6, 4.8, 4.11 and 4.12)

Loss of Rs. 5.52 crore in six cases due to non-safeguarding the financial interests of organisation.

(Paragraphs 4.3, 4.7, 4.9, 4.13, 4.14 and 4.15)

Loss of Rs. 3.50 crore in three cases due to defective/deficient planning.

(Paragraphs 4.2, 4.5 and 4.17)

Loss of Rs. 0.27 crore in one case due to lack of fairness/transparency and competitiveness in operations.

(Paragraph 4.10)

Loss of Rs. 19.96 crore due to inadequate/deficient monitoring.

(Paragraph 4.16)

Gist of some of the important audit observations is given below:

Inaction on the part of **Jaipur, Ajmer and Jodhpur Vidyut Vitran Nigams Limited** in effecting recovery of PPCA charges led to loss of Rs. 650.50 crore.

(Paragraph 4.1)

Decision of **Rajasthan Rajya Vidyut Prasaran Nigam Limited** to scrap the tender of the bays at terminal end, ignoring the overall lowest bid, resulted in extra expenditure of Rs. 40.66 lakh and also led to increase in cost of project by Rs. 4.63 crore.

(Paragraph 4.3)

Payment to Village Amenities Development Fund without recovering the same from the Honda Siel Cars India Limited led to loss of Rs. 1.74 crore to **Rajasthan State Industrial Development and Investment Corporation Limited.**

(Paragraph 4.9)

Rajasthan State Mines and Minerals Limited sustained a loss of Rs. 2.41 crore due to faulty agreement.

(Paragraph 4.13)

In absence of effective system of billing and follow up for recovery by **Rajasthan State Road Development and Construction Corporation Limited**, the dues from sundry debtors for completed works accumulated to the tune of Rs. 19.96 crore.

(Paragraph 4.16)

Chapter I

Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Rajasthan, the State PSUs occupy an important place in the State economy. The State PSUs registered a turnover of Rs. 17,510.67 crore for 2008-09 as per their latest finalised accounts as on 30 September 2009. This turnover was equal to 9.12 *per cent* of State Gross Domestic Product (GDP) for 2008-09. Major activities of Rajasthan State PSUs are concentrated in power sector. The working State PSUs earned a profit of Rs. 313.99 crore in the aggregate for 2008-09 as per their latest finalised accounts. They had employed 0.85 lakh[♣] employees as of 31 March 2009. The State PSUs do not include 12 prominent Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments. Audit findings of these DUs are incorporated in the Civil Audit Report for the State.

1.2 As on 31 March 2009, there were 33 PSUs as *per* the details given below. No company is listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs[ψ]	Total
Government Companies[♦]	26	4	30
Statutory Corporations	3	-	3
Total	**29**	**4**	**33**

1.3 During the year 2008-09, one new PSU[€] was established where as no PSU was closed down. Rajasthan State Petroleum Corporation Limited was incorporated on 10 July 2008 as a subsidiary Company of Rajasthan State Mines and Minerals Limited, Udaipur.

♣ As per the details provided by 23 PSUs. Remaining 10 PSUs did not furnish the details.

ψ Non-working PSUs are those which have ceased to carry on their operations.

♦ There is one 619-B Company.

€ Rajasthan State Petroleum Corporation Limited.

Audit Mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a Company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act.

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.6 Audit of Statutory corporations is governed by their respective legislations. Out of three Statutory corporations, CAG is the sole auditor for Rajasthan State Road Transport Corporation (RSRTC). In respect of Rajasthan State Warehousing Corporation and Rajasthan Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by the CAG.

Investment in State PSUs

1.7 As on 31 March 2009, the total investment (capital and long-term loans) in 33 PSUs was Rs. 28,485.12 crore as per details given below.

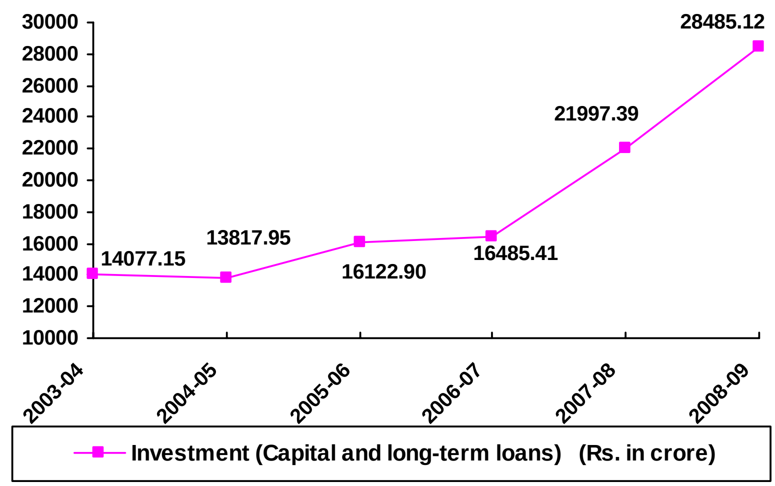
(Rs. in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	7206.17	19982.82	27188.99	314.44	967.94	1282.38	28471.37
Non-working PSUs	9.27	4.48	13.75	-	-	-	13.75
Total	**7215.44**	**19987.30**	**27202.74**	**314.44**	**967.94**	**1282.38**	**28485.12**

A summarised position of government investment in State PSUs is detailed in **Annexure-1**.

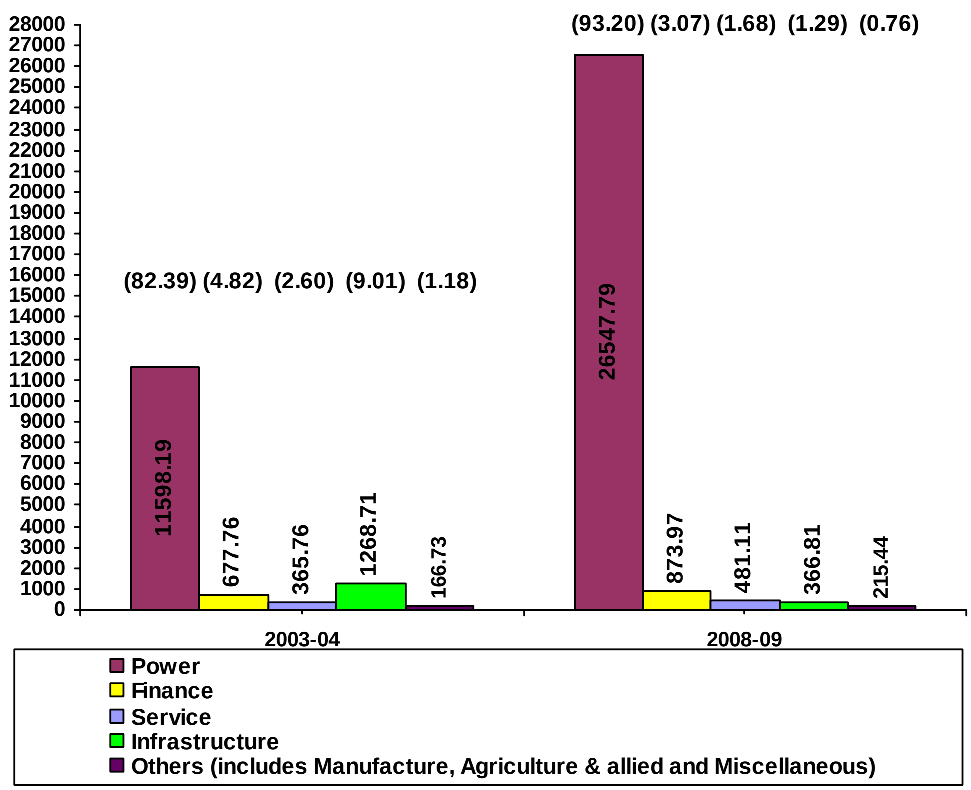
1.8 As on 31 March 2009, of the total investment in State PSUs, 99.95 *per cent* was in working PSUs and the remaining 0.05 *per cent* in non-working PSUs. This consisted of 26.43 *per cent* towards capital and 73.57 *per cent* in long-term loans. The investment has grown by 102.35 *per cent* from

Rs. 14,077.15 crore in 2003-04 to Rs. 28,485.12 crore in 2008-09 as shown in the graph below.



1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2004 and 31 March 2009 are indicated below in the bar chart. The thrust of PSU investment was mainly on power sector during the five years which has seen its percentage share rising to 93.20 *per cent* in 2008-09 from 82.39 in 2003-04.

(Figures in brackets show the percentage of total investment)
(Amount: Rupees in crore)



PSUs investment in infrastructure activity had declined from 9.01 *per cent* (Rs. 1268.71 crore) in 2003-04 to 1.29 *per cent* (Rs. 366.81 crore) in 2008-09 due to reduction in investment in industrial activity of Rajasthan State Industrial Development and Investment Corporation Limited and reduced level of operation of Rajasthan State Road Development and Construction Corporation Limited.

Budgetary outgo, grants/subsidies, guarantees and loans

1.10 The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure-3**. The summarised details are given below for three years ended 2008-09.

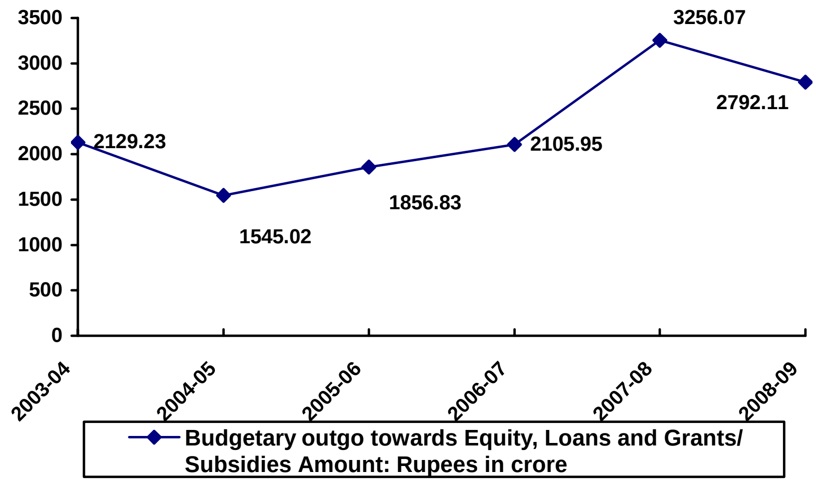
(Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	7	700.30	9	1070.71	6	1337.98
2.	Loans given from budget	3	151.76	3	668.44	5	252.72
3.	Grants/Subsidy received*	8	1253.89	10	1516.92	7	1201.41
4.	Total Outgo (1+2+3)	10$	2105.95	13$	3256.07	10$	2792.11
5.	Loans converted into equity	-	-	-	-	-	-
6.	Loans written off	-	-	-	-	-	-
7.	Interest/Penal interest written off	-	-	-	-	-	-
8.	Total Waiver (6+7)	-	-	-	-	-	-
9.	Guarantees issued	5	4943.91	5	12705.31	6	13944.73
10.	Guarantee Commitment	8	13139.82	7	18153.83	8	25639.95

* Amount represents outgo from State Budget only.

$ The figure represents number of companies which have received outgo from budget under one or more heads *i.e.* equity, loans, grants/subsidies.

1.11 The details regarding budgetary outgo towards equity, loans and grants/subsidies for past five years are given in a graph below.



The main beneficiary of budgetary outgo was power sector which received 99.85 *per cent* (Rs. 1,336 crore) of equity capital outgo (Rs. 1,337.98 crore) and 98.73 *per cent* (Rs. 2,756.61 crore) of total budgetary outgo (Rs. 2,792.11 crore).

1.12 The Government charges guarantee commission at the concessional rate of 0.1 *per cent* per annum for term loans granted by the financial institutions and Banks to the Power Sector PSUs, whereas in case of loan availed by other PSUs it charges guarantee commission at the rate of one *per cent* per annum. The Government charges guarantee commission at concessional rate of 0.01 *per cent* per annum on issue of bonds by the Power Sector PSUs, however, no bonds were issued during 2008-09. The guarantee commission is payable quarterly failing which guarantee commission will also carry penal interest at the rate of 15 *per cent* per annum from the first day of the following month to the quarter to which it relates till the date of final payment. There was increasing trend of outstanding guarantees. The amount of guarantees outstanding increased from Rs. 10,584.48 crore in 2003-04 to Rs. 25,639.95 crore in 2008-09 showing rise of 142.24 *per cent*. During the year 2008-09 guarantee commission of Rs. 23.57 crore was paid/payable by the PSUs.

Reconciliation with Finance Accounts

1.13 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2009 is stated below.

(Rs. in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	7436.19	7450.86	14.67
Loans	2429.41	2123.40	306.01
Guarantees	25988.20	25639.95	348.25

1.14 Audit observed that the differences occurred in respect of 19 PSUs and some of the differences were pending reconciliation since earlier period. The matter was taken up from time to time with Finance Department, Government of Rajasthan regarding difference in figures relating to equity, loans and guarantee as per finance accounts and as per PSU's records. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

1.15 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Annexure-2, 5 and 6** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2003-04 to 2008-09.

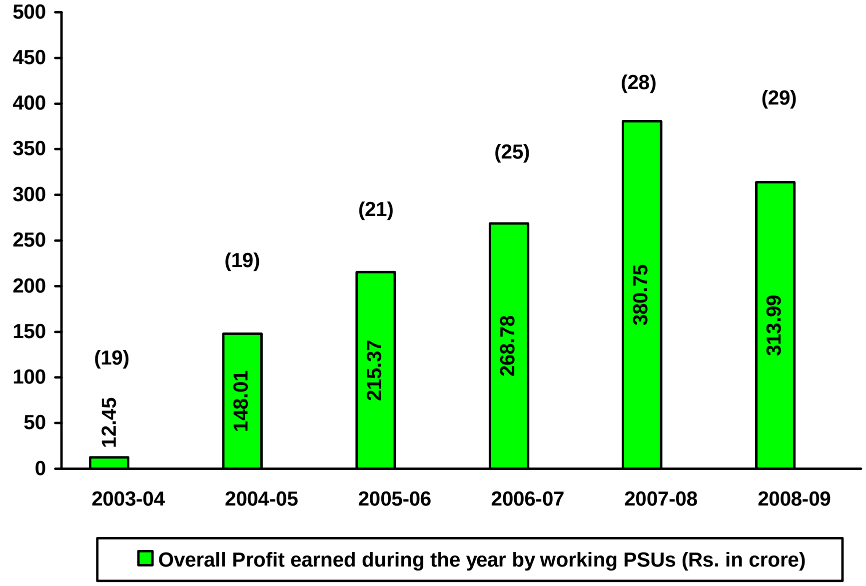
(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover∝	14872.19	11185.31	12616.80	14445.07	16644.45	17510.67
State GDP	111606.45	117274.31	128620.63	148849.22	169918.51	191989.90
Percentage of Turnover to State GDP	13.33	9.54	9.81	9.70	9.80	9.12

The turnover of PSUs after recording a decline of Rs. 3,686.88 crore (24.79 *per cent*) in 2004-05 over the previous year (2003-04) increased slowly during 2005-06 to 2008-09. Percentage of increase in turnover ranged between 5.20 to 15.23 during the period 2005-09 whereas percentage of increase in GDP ranged between 5.08 to 15.73 during the period 2003-09. The turnover of PSUs recorded compounded annual growth of 3.35 *per cent* during last five years which was lower than the compounded annual growth of 11.46 *per cent* of State GDP. This had resulted in reduction of PSUs share of turnover to State GDP from 13.33 *per cent* in 2003-04 to 9.12 in 2008-09.

∝ Turnover as per the latest finalised accounts.

1.16 Profit* (losses) earned (incurred) by State working PSUs during 2003-04 to 2008-09 are given below in a bar chart.



(Figures in brackets show the number of working PSUs in respective years)

It can be seen from the above chart that the profit earned by the working PSUs had continuously increased from Rs. 12.45 crore in 2003-04 to Rs. 380.75 crore in 2007-08. According to latest finalized accounts of 29 PSUs, thirteen PSUs earned profit of Rs. 348.40 crore, three PSUs incurred loss of Rs. 34.41 crore, while five power sector PSUs incorporated in 2000-01 prepared accounts on 'No Profit No Loss basis' by showing revenue gap as recoverable from the State Government which was not as per Generally Accepted Accounting Principles (GAAP) prevailing in the country. Eight PSUs incorporated in the year 2006-07 to 2008-09 did not commence commercial activities till 2008-09. The major contributors to the profit were Rajasthan State Mines and Minerals Limited (Rs. 183.45 crore) and Rajasthan State Industrial Development and Investment Corporation Limited (Rs. 131.21 crore). Heavy losses were incurred by RSRTC (Rs. 23.57 crore) as per their latest finalised account for the year 2007-08.

1.17 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of Rs. 1,005.55 crore which were controllable with better management. Year-wise details from Audit Reports are stated below.

(Rs. in crore)

Particulars	2006-07	2007-08	2008-09	Total
Net Profit (loss)	268.78	380.75	313.99	963.52
Controllable losses as per CAG's Audit Report	159.15	116.70	729.70	1005.55
Infructuous Investment	2.55	Nil	3.25	5.80

* Figures are as per the latest finalised accounts during the respective years.

1.18 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the profits can be enhanced substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

1.19 Some other key parameters pertaining to State PSUs are given below.

(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Return on Capital Employed (*per cent*)	7.39	7.19	6.61	6.24	6.00	5.82
Debt	10701.84	10055.94	11720.00	11377.42	15808.26	20955.24
Turnover*	14872.19	11185.31	12616.80	14445.07	16644.45	17510.67
Debt/Turnover Ratio	0.72 : 1	0.90 : 1	0.93 : 1	0.79 : 1	0.95 : 1	1.20:1
Interest Payments	1559.29	1446.83	1236.13	1375.40	1338.95	1599.84$
Accumulated Profits (losses)	(312.32)	(274.99)	(193.66)	(63.89)	117.98	364.89$

Note: 1. Position for the year 2008-09 was taken from the information received up to 30 September 2009.
2. Return on capital employed (%) has been worked out on the basis of accounts/information received up to 30 September 2009.

(Above figures pertain to all PSUs except for turnover which is for working PSUs)

1.20 The turnover of PSUs recorded compounded annual growth of 3.45 *per cent* during last five years while compounded annual growth of debts was 14.4 *per cent* indicating that the debts were rising at much faster rate than turnover. The rising debts to turnover ratio from 0.72: 1 in 2003-04 to 1.20: 1 in 2008-09 as well as decreasing trend in return on capital employed pointed to deteriorating performance of PSUs. The power sector PSUs were major contributor to the rising debt to turnover ratio as debt/turnover ratio in respect of power sector PSUs had risen from 0.67:1 in 2003-04 to 1.28:1 in 2008-09.

1.21 The State Government had formulated (September 2004) a dividend policy under which all profit making PSUs are required to pay a minimum return of ten *per cent* on the paid up share capital contributed by the State Government or 20 *per cent* of the profit after tax, whichever is lower. As per their latest finalised accounts, 13 PSUs earned an aggregate profit of Rs. 348.40 crore and seven PSUs declared a dividend of Rs. 37.11 crore which worked out to 0.50 *per cent* of equity capital contributed by the State Government. Out of seven PSUs declaring dividend, one PSU (Rajasthan State Mines and Minerals Limited) declared dividend more than prescribed in the Government dividend policy (20 *per cent* of paid up capital), while one PSU (Rajasthan State Ganganagar Sugar Mills) declared dividend less than prescribed in the Government dividend policy (10 *per cent* of profit after tax).

* Turnover of working PSUs as per the latest finalised accounts.

$ Figures as per the latest finalised accounts.

Six PSUs which earned profit, did not declare dividend due to accumulated losses or marginal profit.

Performance of major PSUs

1.22 The investment in working PSUs and their turnover** together aggregated to Rs. 45,982.04 crore during 2008-09. Out of 29 working PSUs, the following five PSUs accounted for individual investment *plus* turnover of more than five *per cent* of aggregate investment *plus* turnover. These five PSUs together accounted for 84.07 *per cent* of aggregate investment *plus* turnover.

(Rs. in crore)

PSU Name	Investment	Turnover	Total (2) + (3)	Percentage of Aggregate Investment plus Turnover
(1)	(2)	(3)	(4)	(5)
Rajasthan Rajya Vidyut Utpadan Nigam Limited	9815.16	3875.99	13691.15	29.78
Rajasthan Rajya Vidyut Prasaran Nigam Limited	4600.43	876.64	5477.07	11.91
Jaipur Vidyut Vitran Nigam Limited	5140.29	3200.58	8340.87	18.14
Jodhpur Vidyut Vitran Nigam Limited	3324.88	2139.26	5464.14	11.88
Ajmer Vidyut Vitran Nigam Limited	3573.75	2111.89	5685.64	12.36
Total	**26454.51**	**12204.36**	**38658.87**	**84.07**

Some of the major audit findings of past five years for above PSUs are stated in the succeeding paragraphs.

1.23 Ajmer Vidyut Vitran Nigam Limited had arrears of accounts for two years as on 30 September 2009.

1.24 The above five power sector PSUs prepared their accounts on 'No profit no loss' basis. The turnover has risen from Rs. 10,468.37 crore in 2005-06 to Rs. 12,204.36 crore in 2008-09 during this period. However, the return on capital employed has declined from 5.49 *per cent* in 2005-06 to 4.88 *per cent* as per latest finalised accounts by the PSUs.

1.25 Deficiencies in planning

Rajasthan Rajya Vidyut Utpadan Nigam Limited (Audit Report 2007-08)

- The Company ignoring the advice of consultant for global tendering as sulpher content in available lignite ranged between 4 to 6 *per cent,* invited single offer from BHEL who had experience in installation of lignite based power plant with sulpher content of less than 2 *per cent* only. This resulted in non-stablisation of main plant of Giral Lignite Power Project - Phase I and led to increase in expenditure by Rs. 64.27 crore.

(Paragraphs 2.3.8 and 2.3.14)

** Turnover figures have been taken in respect of all the PSUs as per their latest finalised accounts.

Ajmer Vidyut Vitran Nigam Limited (Audit Report 2007-08)

- The objective of electrification of all villages by March 2007 and providing all Rural Households (RHHs) with access to electricity by 2009 failed in the planning and sanction stage itself as no efforts were made by the Company with the State Government to provide funds.

(Paragraph 2.1.13)

1.26 Deficiencies in implementation

Rajasthan Rajya Vidyut Utpadan Nigam Limited (Audit Report 2003-04)

- Non use of beneficiated coal at Kota Thermal Power Station deprived the Company from a saving of Rs. 3.90 crore.

(Paragraph 2.1.8)

Rajasthan Rajya Vidyut Prasaran Nigam Limited (Audit Report 2007-08)

- The Company's decision to award the work on turnkey basis without ensuring timely completion deprived the Company of intended benefits besides resulting in excess cost of project by Rs. 1.93 crore.

(Paragraph 4.1)

Ajmer Vidyut Vitran Nigam Limited (Audit Report 2007-08)

- Targets relating to electrification of all Below Poverty Line Rural Households by March 2007 under Rajiv Gandhi Grameen Vidyutikaran Yojana, could not be met even by the end of March 2008 by the Company.

(Paragraph 2.1.25)

1.27 Deficiencies in monitoring

Rajasthan Rajya Vidyut Utpadan Nigam Limited (Audit Report 2003-04)

- Actual heat rate was in excess of station heat rate norms in Kota Thermal Power Station and Suratgarh Thermal Power Station. Thus heat equivalent of 9.45 lakh MT coal valuing Rs. 157.39 crore was consumed in excess.

(Paragraph 2.1.7)

Jodhpur Vidyut Vitran Nigam Limited (Audit Report 2007-08)

- Negligence of officials in charge of revenue realisation facilitated embezzlement of cash amounting to Rs. 31.70 lakh.

(Paragraph 4.11)

Ajmer Vidyut Vitran Nigam Limited (Audit Report 2007-08)

- Lack of effective monitoring in Feeder Renovation Programme resulted in non-achievement of the prime objective of reduction of distribution losses below 15 *per cent*.

(Paragraph 2.1.47)

Jaipur Vidyut Vitran Nigam Limited (Audit Report 2005-06)

- Failure of the Company to ensure three phase 24 hours power supply for operation of the Remote Control Load Management scheme resulted in wasteful expenditure of Rs. 2.15 crore towards purchase of hardware/software.

(Paragraph 2.3.20)

1.28 Non-achievement of objectives

Rajasthan Rajya Vidyut Prasaran Nigam Limited (Audit Report 2005-06)

- Stores and spares costing Rs. 2.78 crore were not issued and were lying in store defeating the very purpose of procurement of these testing instruments.

(Paragraph 2.3.15)

Three Distribution companies-Jaipur/Ajmer/Jodhpur Vidyut Vitran Nigam Limited

- Primary objective of Accelerated Power Development Reforms Programme to reduce the existing Aggregate Technical & Commercial losses to 15 *per cent* was not achieved as losses increased to an average of 44.33 *per cent* in 2005-06.

(Audit Report 2006-07; Paragraphs 2.3.14 to 2.3.16)

- The three Distribution Companies failed to achieve targets fixed by the Regulatory Commission for distribution losses despite capital investment of Rs. 2,387 crore during 2001-05 as losses ranged between 34.06 and 45.51 *per cent*.

(Audit Report 2005-06; Paragraph 2.3.18)

1.29 Deficiencies in financial management

Rajasthan Rajya Vidyut Prasaran Nigam Limited

- Non availment of payment facility either through post dated cheques/ warrants or through core banking led to loss of interest earning of Rs. 1.11 crore to the Company.

(Audit Report 2007-08; Paragraph 4.2)

- Due to non-enhancing the value of the Letter of Credit, the Company was deprived of incentive of Rs. 1.13 crore.

(Audit Report 2006-07; Paragraph 3.3)

Three Distribution companies-Jaipur/Ajmer/Jodhpur Vidyut Vitran Nigam Limited (Audit Report 2004-05 and 2006-07)

- Grant of relief to agricultural consumers without firm commitment from the Government for reimbursement resulted in loss of revenue of Rs. 110.38 crore to the companies.

(Audit Report 2004-05; Paragraph 4.1)

- Non-insertion of put/call option clause in the bonds issued during 2001-02 caused avoidable payment of interest of Rs. 3.40 crore by the companies.

(Audit Report 2006-07; Paragraph 3.1)

Conclusion

1.30 The above details indicate that the State PSUs are not functioning efficiently and there is tremendous scope for improvement in their overall performance. They need to imbibe greater degree of professionalism to ensure delivery of their products and services efficiently and profitably. The State Government should introduce a performance based system of accountability for PSUs.

Arrears in finalisation of accounts

1.31 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2009.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Number of Working PSUs	19	21	25	28	29
2.	Number of accounts finalised during the year	14	14	17	18	16**
3.	Number of accounts in arrears	5	7	8	9*+2=11	13+3=16
4.	Average arrears *per* PSU (3/1)	0.26	0.33	0.32	0.39	0.55
5.	Number of Working PSUs with arrears in accounts	5	7	8	9	13
6.	Extent of arrears	One year	One year	One year	One to Two years	One to Three years

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** Accounts received upto 30 September 2009.

* The account of Jaipur City Transport Corporation was not shown in arrear as this Company was incorporated on 6 February 2008.

1.32 All working PSUs were finalizing their accounts yearly on regular basis except Ajmer Vidyut Vitran Nigam Limited (AVVNL) and Kota City Transport Services Limited. AVVNL could not finalize its accounts due to non compliance of Accounting Standards and other observations of Statutory Auditors, while Kota City Transport Services Limited was a new PSU.

1.33 Out of four non-working PSUs, no PSU had gone into liquidation process and two PSUs had arrears of accounts for one year.

1.34 The State Government had invested Rs. 2,761.15 crore (Equity: Rs. 1,337.82 crore, loans: Rs. 252.72 crore, grants: Rs. 1,170.61 crore and others: NIL) in seven PSUs during the year for which accounts have not been finalised as detailed in **Annexure-4**. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. Thus Government's investment in such PSUs remains outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.35 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up periodically with the Chief Secretary/Finance Secretary to expedite clearance of the backlog of arrears in accounts in a time bound manner.

1.36 In view of above state of arrears, it is recommended that:

- The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.

- The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.

Winding up of non-working PSUs

1.37 There were 4 non-working PSUs (4 Companies and nil Statutory corporations) as on 31 March 2009. None of these PSUs have commenced liquidation process. The numbers of non-working companies at the end of each year during past five years are given below.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
No. of non-working companies	5	5	4	4	4
No. of non-working corporations	-	-	-	-	-
Total	**5**	**5**	**4**	**4**	**4**

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2008-09, two non-working PSUs incurred an expenditure of Rs. 0.01 crore towards salary and establishment expenses *etc.* This expenditure was financed by the Holding companies.

1.38 The stages of closure in respect of non-working PSUs are given below.

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working PSUs	4	-	4
2.	Of (1) above, the No. under			
(a)	liquidation by Court (liquidator appointed)	-	-	-
(b)	Voluntary winding up (liquidator appointed)	-	-	-
(c)	Closure, *i.e.* closing orders/ instructions issued but liquidation process not yet started.	1*	-	-

* Rajasthan Electronics Limited

1.39 During the year 2008-09, no PSU was finally wound up. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/pursued vigorously. The Government may take a decision regarding winding up of four non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working. The Government may consider setting up a cell to expedite closing down its non-working companies.

Accounts Comments and Internal Audit

1.40 Twenty one working Companies forwarded their audited accounts to the AG during the year 2008-09. Of these, 17 accounts of 17 Companies were selected for supplementary audit. Similarly, 14 working Companies forwarded their audited accounts for the year 2008-09 to the AG during April to September 2009. Of these, 13 accounts were selected for supplementary audit. The audit reports of statutory auditors appointed by the CAG and the supplementary audit of the CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and the CAG are given below.

(Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	7	49.16	6	28.90	4	6.58
2.	Increase in loss	4	193.93	7	4595.12	-	-
3.	Non-disclosure of material facts	2	-	2		-	-
4.	Errors of classification	1	-	2		1	-

1.41 During the year 2008-09, the statutory auditors had given qualified certificates on 21 accounts and while no adverse certificates (which means that accounts do not reflect a true and fair position) and no disclaimers (meaning the auditors are unable to form an opinion on accounts) were given for any accounts. Additionally, the CAG gave adverse certificates on four accounts of PSUs relating to power sector during the supplementary audit**.** The compliance of the Accounting Standards (AS) by PSUs remained poor as there were 17 instances of non-compliance in six accounts during supplementary audit.

Similarly, out of 14 accounts for 2008-09 received during the period April to September 2009, the statutory auditors had given qualified certificates on all 14 accounts and while no adverse certificates and no disclaimers were given on any of the accounts. The compliance of the AS by PSUs remained poor as there were 18 instances of non-compliance in eight accounts.

1.42 Some of the important comments in respect of accounts of companies are stated below.

Rajasthan Rajya Vidyut Prasaran Nigam Limited (2007-08)

- The expenses as well as current liabilities have been understated due to non-provision of liability of Rs. 2,493.61 crore towards superannuation and gratuity fund on the basis of actuarial valuation of March 2005.

- Due to our comments and those of the statutory auditors, the net loss for the year worked out to Rs. 2,496.89 crore instead of NIL loss shown by the Company. Hence the accounts did not represent a true and fair view.

Jaipur Vidyut Vitran Nigam Limited (2007-08)

- The loss in the current year, after accounting for all subsidy/revenue which had been committed/remitted by the State Government for the year 2007-08, was Rs. 693.87 crore. The Company has accounted for this loss amount as receivable from the State Government which was incorrect and in contravention to AS-12 relating to 'Accounting for Governments Grants" as the Government has not given any commitment for the same.

- Due to comments of the CAG, the net loss for the year worked out to Rs. 821.60 crore instead of NIL loss shown by the Company. Hence the accounts did not represent a true and fair view.

Rajasthan State Seeds Corporation Limited (2007-08)

- L.I.C. Group Gratuity Premium is understated by Rs. 1.20 crore due to non-accountal of the liability of gratuity as per actuarial valuation in violation of requirement of AS-15.

Rajasthan State Seeds Corporation Limited (2008-09)

- Closing stock was overstated by Rs. 1.53 crore due to non- adjustment of the subsidy received. Consequently, the profit was also overstated to this extent.

Rajasthan Rajya Vidyut Utpadan Nigam Limited (2007-08)

- Due to comments of statuary auditors and the CAG, the net loss for the year worked out to Rs. 223.02 crore instead of NIL loss shown by the Company. Hence the accounts did not represent a true and fair view.

Jodhpur Vidyut Vitran Nigam Limited (2007-08)

- The loss in the current year, after accounting for all subsidy/revenue which had been committed / remitted by the State Government for the year 2007-08, was Rs. 762.40 crore. The Company had accounted for this loss amount as receivable from the State Government which was incorrect and in contravention to AS-12 relating to 'Accounting for Governments Grants" as the Government had not given any commitment for the same.

- Due to comments of the CAG, the net loss for the year worked out to Rs. 1,038.29 crore instead of NIL loss shown by the Company. Hence the accounts did not represent a true and fair view.

Rajasthan State Road Development and Construction Corporation Limited (2007-08)

- The Company had not made any provision for the unfunded amount of Rs. 14.97 crore of pension liabilities.

Rajasthan State Industrial Development and Investment Corporation Limited (2008-09)

- During the year the Company had changed accounting policy in relation to accounting of grant utilized by switching over from reduction of expenses concept to income concept, which has resulted in overstatement of profit amounting to Rs. 25.60 crore.

1.43 Similarly, three working Statutory corporations forwarded their accounts to AG during the year 2008-09. Of these, one account of one Statutory corporation pertained to sole audit by the CAG which was completed during the year. Remaining two accounts were selected for supplementary audit. Further, during the period from April to September 2009, two working Statutory corporations forwarded their accounts which were selected for supplementary audit. Recasted accounts of Rajasthan State Road Transport Corporation for the year 2008-09 where CAG is the sole auditor were not received up to 30 September 2009. The audit reports of statutory auditors and the sole/supplementary audit of the CAG indicate that the quality of maintenance of accounts needs to be improved substantially.

The details of aggregate money value of comments of statutory auditors and the CAG are given below:

(Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	35.27	1	27.53	-	-
2.	Increase in loss	1	3.43	1	40.06	-	-
3.	Non-disclosure of material facts	-	-	1	-	-	-
4.	Errors of classification	-	-	-	-	-	-

For the year 2006-07, comments worth Rs. 35.27 crore relating to decrease in profit and Rs. 3.43 crore relating to increase in loss were pointed out by the CAG. Similarly, in the year 2007-08, comments worth Rs. 40.06 crore relating to increase in loss and Rs. 27.53 crore relating to decrease in profit were also pointed out by the CAG. Statutory auditors pointed out one case of non disclosure of material fact during the year 2007-08.

1.44 Out of two accounts received during the year 2008-09, the statutory auditors had given qualified certificates for both accounts. Similarly, during the period April to September 2009, two accounts were received with qualified certificates.

1.45 Some of the important comments in respect of accounts of Statutory corporations are stated below.

Rajasthan Financial Corporation (2007-08)

- Staff Provident and Pension Fund was understated by Rs. 3.68 crore due to short provision against pension fund resulting in overstatement of net profit by the same amount.

- Personnel and Administration Expenses did not include Rs. 1.15 crore payable as contribution to Provident Fund Scheme due to withdrawal of Pension Scheme resulting in overstatement of net profit and understatement of other liabilities by the same amount.

- Provision for Bad & Doubtful Debts against non-performing assets was short provided by the Corporation by Rs. 2.40 crore.

- Net profit was overstated by Rs. 19.73 crore due to non creation of deferred tax liability for special reserve created under section 36(i) (viii) of the Income Tax Act, in violation of AS-22.

Rajasthan Financial Corporation (2008-09)

- Accounting Standards-15, 22, 28 and 29 were not complied with, the effect was not quantifiable.

Rajasthan State Road Transport Corporation (2007-08)

- The Corporation had not provided liability for short-payment of Rs. 24.50 crore towards claims raised by State Government for rent of the area occupied by the Corporation in Bikaner House, New Delhi despite recommendation (September 2006) of Public Accounts Committee to recover the amount from the Corporation.

- Liability for payment of Rs. 8.67 crore to RSRTC CPF Trust towards deficit in trust accounts during 2004-05 to 2006-07 was not provided for despite being payable as per the Government of India notification dated 29 October 2003 and demanded (February 2008) accordingly by the Regional Provident Fund Commissioner, Jaipur.

- Government Debtors were overstated by Rs. 2.23 crore as Education department has accepted Rs. 9.49 crore only against claim of the Corporation of Rs. 11.72 crore.

1.46 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of 15 companies[£] for the year 2007-08 and 7 companies[µ] for the year 2008-09 (position taken on the basis of accounts received upto 30 September 2009) are given below.

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per Annexure 2
1.	Absence of internal audit system commensurate with the nature and size of business of the company	2007-08 – 15 2008-09- 7	**A**-1, 2, 3, 4,5,9,10,13, 14,15,16,24 & 26 **B**- 1 & 2. A-2,3,4,5,9,26 & **B** -2
2.	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	2007-08 - 8 2008-09 - 6	**A**-3, 4,9,13,14,15,16 & 25. **A**-3,4,8,9,12 & **B**-2

£ Sr. No. **A**-1, 2, 3, 4, 5, 9, 10,13, 14, 15, 16, 24 & 26 and **B**- 1 & 2 in Annexure – 2.
µ Sr. No. **A**-2,3,4,5,9,26 & **B** -2 in Annexure – 2.

Recoveries at the instance of audit

1.47 During the course of propriety audit in 2008-09, recoveries of Rs. 24.52 crore were pointed out to the Management of various PSUs, of which, recoveries of Rs. 10.12 crore were admitted by PSUs. An amount of Rs. 4.58 crore was recovered during the year 2008-09.

Status of placement of Separate Audit Reports

1.48 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Rajasthan Financial Corporation	2007-08	-	-	-
2.	Rajasthan State Warehousing Corporation	2007-08	2008-09	17 September 2009	-
3.	Rajasthan state Road Transport Corporation	2007-08	-	-	-

The audit of the accounts of remaining two Statutory corporations for the year 2008-09 is in progress.

Disinvestment, Privatisation and Restructuring of PSUs

1.49 No disinvestment or privatisation of Public Sector Undertakings has taken place during 2008-09.

Reforms in Power Sector

1.50 Rajasthan has Rajasthan Electricity Regulatory Commission (RERC) formed in January 2000 under section 17 of the Electricity Regulatory Commissions Act, 1998 with the objective of rationalization of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2008-09, RERC issued 22 orders (8 on annual revenue requirements and 14 on others).

1.51 Memorandum of Understanding (MoU) was signed in March 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

<table>
<tr><th>Sl No.</th><th colspan="2">Milestone</th><th>Achievement as at March 2009</th></tr>
<tr><td>1.</td><td>Reduction in transmission and distribution losses</td><td>20 per cent by 2008-09</td><td>
<table>
<tr><td>Name of the Company</td><td>Transmission loss</td><td>Distribution loss</td><td>Total</td></tr>
<tr><td>JVVNL</td><td>5.60</td><td>24.41</td><td>30.01</td></tr>
<tr><td>AVVNL</td><td>6.67</td><td>29.30</td><td>35.97</td></tr>
<tr><td>JdVVNL</td><td>4.61</td><td>27.92</td><td>32.53</td></tr>
</table>
</td></tr>
<tr><td>2.</td><td>100 per cent metering of all 11 KV distribution feeders</td><td>September 2001</td><td>
<table>
<tr><td>Name of the Company</td><td>11KV feeders to be metered</td><td>11KV feeders metered upto March 2009</td><td>Percentage</td></tr>
<tr><td>JVVNL</td><td>4136</td><td>3829</td><td>92.57</td></tr>
<tr><td>AVVNL</td><td>4447</td><td>4057</td><td>91.23</td></tr>
<tr><td>JdVVNL</td><td>4982</td><td>4786</td><td>96.06</td></tr>
</table>
</td></tr>
<tr><td>3.</td><td>100 per cent electrification of all villages</td><td>41,353 villages by 2005</td><td>37,897 villages electrified i.e. 91.64 per cent.</td></tr>
<tr><td>4.</td><td>100 per cent metering of all consumers</td><td>30 June 2002</td><td>No connection of any category is being released without meter. All flat rate agricultural connections are being converted to metered category. 2,04,827 consumers have been converted from agricultural flat rate to metered category in urban/rural areas.</td></tr>
<tr><td>5.</td><td colspan="3">State Electricity Regulatory Commission (SERC)</td></tr>
<tr><td></td><td>(1) Establishment of the SERC

(2) Implementation of tariff orders issued by SERC during the year</td><td>-

An order for distribution tariff was to be implemented from January 2005.</td><td>The SERC was formed in January 2000.

The tariff was implemented from May 2005 as the State Government provided subsidy for the period January 2005 to April 2005. There was no change in tariff since then.</td></tr>
<tr><td>6.</td><td>Supply of additional power</td><td>The Central Government will allocate additional power as under:
(1) Additional 100 MW of surplus power from Eastern grid on firm basis.

(2) Ministry of Power (MOP) will take immediate steps to restore the special allocation of one-third of the capacity of Anta Grid Power Station i.e. 112 MW, withdrawn by MOP in November 1999.</td><td>(1) About 113 MW power has been allotted from Eastern Grid w.e.f. 08 January 2009 on firm basis excluding 14.7 MW allocated from Majia TPS which has so far been not scheduled by DVC.

(2) No firm allocation of power from Anta Grid Power Station has been made so far.</td></tr>
<tr><td></td><td colspan="3">General</td></tr>
<tr><td>7.</td><td>Monitoring of MOU</td><td>Monitoring was required on quarterly basis</td><td>Monitoring is being done regularly by SE (Plan) of Jaipur Vidyut Vitran Nigam Limited. Last report was sent in March 2009.</td></tr>
</table>

Discussion of Audit Reports by COPU

1.52 The status as on 30 September 2009 of reviews and paragraphs that appeared in Audit Reports (Commercial) and discussed by the Committee on Public Undertakings (COPU) was as under:

Audit Report	Number of reviews/paragraphs					
	Appeared in Audit report		Paras discussed		Paras pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs	Reviews	Paragraphs
2006-07	5	20	3	11	2	9
2007-08	5	22	-	-	5	22
Total	**10**	**42**	**3**	**11**	**7**	**31**

1.53 The matter relating to clearance of backlog of reviews/ paragraphs was also discussed with the Chairperson of COPU by the Accountant General in May 2009.

Chapter II

Performance Audit relating to Government Companies

Rajasthan Rajya Vidyut Utpadan Nigam Limited

2.1 Performance Audit on Fuel Management

Executive summary

The Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL) operates two coal based thermal power stations at Kota (1,045 MW) and Suratgarh (1,250 MW) and two gas based thermal power stations at Ramgarh (110.5 MW) and Dholpur (330 MW). Fuel comprising of coal and gas were major component for generation of electricity. Fuel cost (Rs. 14,336.59 crore) constituted 88.69 per cent of total generation cost (Rs. 16,165.25 crore) during 2004-05 to 2008-09 in respect of Kota, Suratgarh and Ramgarh power stations. The performance audit was conducted to ascertain fuel efficiency in power generation, economy in procurement and transportation, effectiveness of quality assurance and energy audit, actual consumption against norms, inventory management and financial management with reference to fuel.

Procurement of fuel

Coal is allotted by Standing Linkage Committee (SLC) from different collieries. As against required quantity of 647.53 lakh MT, SLC allotted 691.50 lakh MT but the actual receipt thereagainst was only 592.68 lakh MT during 2004-09. Since RRVUNL had projected the requirement above the Central Electricity Authority targets for generation, there was no shortfall. The cost of coal was Rs. 7,584.73 crore. There was decrease in linkages from superior coal fields. The beneficiation of coal was not 100 per cent resulting in savings of Rs. 24.79 crore not achieved.

The tie-up with GAIL for supply of gas was not for adequate quantity. This resulted in loss of generation of 1,426.64 MUs as the Plant Load Factor ranged between 36 and 45 as against 70 per cent fixed by Rajasthan Electricity Regulatory Commission (RERC).

Transportation of fuel

The coal is transported through Railway wagons. Out of total cost of Rs. 13,847.14 crore on coal fuel, transportation accounted for Rs. 6,262.41 crore (over 45 per cent). No norm for transit loss was fixed. Taking the norm of 1.5 per cent fixed for contractor of beneficiated coal, the excess transit loss worked out to Rs. 49.95 crore. The RRVUNL did not follow the proper quality assurance procedures. The claims for Rs. 94.12 crore for under loading and over loading were not preferred/adjusted.

Consumption of fuel

The actual consumption of coal and gas was higher than the norms fixed by RERC.

The excess consumption of coal due to higher Station Heat Rate than the norms was valued at Rs. 245.10 crore.

Inventory management

Safe and critical level of coal stock was prescribed at 15 days and 7 days respectively. On several occasions the coal level remained critical during 2006-07 to 2008-09.

Financial management

The financial management was deficient as instances of delay in realisation of claims, payment for coal supplies etc. were noticed.

Energy audit

Energy audit was not undertaken for reducing the heat losses.

Conclusion and Recommendations

Fuel management system of RRVUNL did not meet the expectation of being operated economically and efficiently. System of procurement and transportation of fuel was deficient and the actual consumption of coal and gas was higher. There was considerable scope for improvement in performance of fuel management system to enhance overall operational performance. The review contains eight recommendations which includes close monitoring of transit losses and analysis of reasons for excess consumption of coal for taking remedial measures.

Introduction

2.1.1 The Government policy on power generation is intended to meet the galloping demand in the power deficit State by providing quality power to all, at reasonable rates. The conventional process of generation of the power consumes a large volume of fuel, both coal and gas, which are scarce, non renewable and fast depleting resources. Coal is concentrated in a particular zone of the country and the gas is available in the remote areas. The natural resources are state owned with complex allocation process and their transportation is costly affair for the remotely located thermal stations. Fuel management is important in financial terms also as it constitutes major component of the cost of the power generated. Hence minimization of the transit losses and consumption as per the norms are the key drivers for effective fuel management.

The Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL) operates two coal based thermal power stations (TPSs) - Kota Super Thermal Power Station (KSTPS) at Kota (1,045 MW) and Suratgarh Super Thermal Power Station (SSTPS) at Suratgarh (1,250 MW) for which coal is procured from South Eastern Coalfields Limited (SECL) and Northern Coalfields Limited (NCL). The RRVUNL also operates two gas based power stations *viz*; Ramgarh Gas Thermal Power Station (RGTPS) at Ramgarh (110.5 MW) and Dholpur Combined Cycle Power Project (DCCPP) at Dholpur (330 MW) for which gas is procured from GAIL (India) Limited and Oil and Natural Gas Corporation (ONGC) Limited respectively. One lignite based power station *viz;* Giral Lignite Thermal Power Station (GLTPS) at Giral (125 MW) was installed (February 2007). Power generation also involves use of light diesel oil (LDO), high speed diesel oil (HSD) and furnace oil (FO) as secondary fuels to light up the boiler and impart stability to flame. These are procured from oil companies.

During 2004-09, KSTPS, SSTPS and RGTPS incurred an expenditure of Rs. 14,336.59 crore (Coal Rs. 13,846.74 crore, Gas Rs. 276.74 crore and oil Rs. 213.11 crore) towards fuel cost representing 88.69 *per cent* of total generation cost (Rs. 16,165.25 crore) during the same period.

Scope of Audit

2.1.2 A Performance audit was conducted during February to April, 2009 covering the RRVUNL activities relating to assessment of requirement, procurement, transportation, quality assurance and financial management including claim management of fuel for period from 2004-05 to 2008-09* at KSTPS, SSTPS and RGTPS. The performance of DCCPP and GLTPS was not covered in the present performance audit as DCCPP commenced commercial

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* Figures for the year 2008-09 are as provided by the Management based on provisional unaudited accounts.

operation between March and December 2007, whereas the commercial operation at GLTPS was yet to be commenced. The audit findings are based on test check of records at RRVUNL Headquarter at Jaipur and at KSTPS, SSTPS and RGTPS.

Audit objectives

2.1.3 The performance audit of fuel management was carried out to assess whether:

- the procurement and transportation of fuel was done economically and efficiently;
- the quality and quantity of fuel received was inspected as per the laid down procedure and deviations were timely and adequately claimed from the suppliers;
- the actual consumption of coal, gas and oil was in line with the norms fixed by Rajasthan Electricity Regulatory Commission (RERC);
- an effective and efficient financial management system exists;
- an effective and efficient inventory management mechanism exists; and
- the energy audit was undertaken and recommendations for reducing the heat losses implemented.

Audit criteria

2.1.4 The performance audit with regard to fuel management by the RRVUNL was assessed against the:

- targeted generation fixed by Central Electricity Authority (CEA) and allocation of coal quantities by the Standing Linkage Committee (SLC) of Government of India, and directions of the Government for import of coal;
- agreements with coal, gas and oil supplier companies, transport agency as well as with liaison agents;
- norms of consumption of coal, gas and oil fixed by CEA/RERC; and
- norms of station heat rate (SHR) fixed by RERC.

Audit Methodology

2.1.5 Audit adopted a mix of the following methodologies for achieving the audit objectives keeping in view the audit criteria:

- examination of agenda and minutes of the Board of Directors (Board) meeting for awarding of work, procurement of fuel and appraisal of the performance of the plants;
- scrutiny and analysis of fuel related guidelines of CEA/RERC and Ministry of Environment and Forest (MOEF);
- scrutiny of records relating to SLC, procurement, receipt and consumption of fuel, plant outages reports, fuel cost reports, coal and fuel efficiency reports;
- scrutiny and analysis of agreements with coal suppliers, oil/gas companies, liaison agents and Railways and performance thereof; and
- issue of audit queries and interaction with the Management.

Audit Findings

2.1.6 Audit findings were reported to the RRVUNL and the Government in June 2009 and were discussed (14 September 2009) in the Exit Conference which was attended by the Chairman and Managing Director along with the Chief Engineers of KSTPS and SSTPS in addition to other officers of auditee unit. The views expressed by them have been considered while finalizing the performance review.

The performance of KSTPS, SSTPS and RGTPS was deficient in the areas of materialization of linkage, fuel consumption, transportation of fuel, quality assurance and financial management.

The Management in the exit conference stated (September 2009) that they were heavily dependent on the coal companies and Railways, who were operating in monopoly environment, for procurement of their fuel requirement and on many occasions were unable to exercise continued pursuance to their advantage in the matter of materialization of linkage, coal quality *etc*.

Fuel Management

2.1.7 Fuel cost is the major component of the total cost of the power generation. Optimization of the fuel cost by effective planning, procurement and consumption is, therefore, necessary to generate electricity at economical rates. The plant-wise fuel cost and total generation cost for the period of review is given below:

(Rs. in crore)

Particulars	KSTPS	SSTPS	RGTPS	TOTAL
Fuel cost	5716.83	8247.16	372.60	14336.59
Total generation cost	6277.22	9422.73	465.30	16165.25
Percentage of fuel cost to generation cost	91.07	87.52	80.08	88.69

Fuel cost ranged from 80.08 to 91.07 *per cent* of total generation cost in respect of different plants during the review period.

The material cost *i.e.* the fuel cost per unit of KWH at KSTPS, SSTPS and RGTPS is given below:

(in paisa)

Name of Station	2004-05	2005-06	2006-07	2007-08	2008-09
SSTPS	161	169	177	185	225
KSTPS	143	143	143	153	185
RGTPS	165	188	260	268	NA

It can be seen that fuel cost for SSTPS had increased by 64 paisa per unit, while fuel cost for KSTPS increased by 42 paisa per unit during the review period indicating higher fuel cost increase in the case of SSTPS. While KSTPS units/plants were old but located near to the supply point of fuel, SSTPS plants were new and equipped with latest technology of higher generating capacity (MW) but located far away from the supply point of fuel as compared to the KSTPS. The increase in per unit fuel cost was attributable to failure in materialization of linkage of fuel and loss of generation, inadequate use of washed coal, increased composition of low grade coal, higher incidence of transit losses, failure to improve the productivity in consumption of coal, ineffective contract and financial management, lack of energy audit *etc.*, apart from general rise in price of fuel and freight as discussed in detail in paragraphs 2.1.9 to 2.1.13, 2.1.15 to 2.1.18, 2.1.22 to 2.1.23 and 2.1.28 to 2.1.36.

Fuel cost (Gas and Oil) for RGTPS had increased by 103 paisa per unit from 165 paisa to 268 paisa during 2004-05 to 2007-08. The rise in fuel cost was mainly due to the failure of the RRVUNL to secure full supply of gas. The inability to use enhanced gas supply effectively resulted in substantial under-utilization of one Gas Turbine (GT) and Steam Turbo Generator (STG) *etc.* as discussed in detail in paragraphs 2.1.14 and 2.1.24 to 2.1.26.

The fuel cost of RRVUNL to total generation cost increased from 86 *per cent* in 2004-05 to 93 *per cent* in 2007-08.

Procurement

Procurement of Coal

2.1.8 The RRVUNL assesses the requirement of fuel on the basis of annual generation targets fixed for KSTPS and SSTPS and approved by the RERC.

KSTPS and SSTPS work out the quarterly requirement on the basis of annual targets. The CEA recommends quarterly requirement of the TPS to the SLC which allots coal linkages from different collieries *i.e.* SECL (Korea-Rewa), SECL (Korba) and NCL and also allows the import of coal as and when necessary.

Coal is purchased from coal companies against proforma invoices. The RRVUNL makes weekly ad hoc payment of coal to coal companies on the basis of the quarterly linkages allocated by the SLC. The rate of coal (grade wise) is determined by the Ministry of Coal. On receipt of coal at TPSs, the grade of coal is assessed by a third party jointly appointed by both TPSs and coal companies and a final bill or grade slippage claim is raised for settlement of coal cost.

The year-wise data of coal procured from different coal fields during review period are given below:

Name of Coal companies	Coal procured (lakh MT)									
	2004-05		2005-06		2006-07		2007-08		2008-09	
	KSTPS	SSTPS	KSTPS	SSTPS	KSTPS	SSTPS	KSTPS	SSTPS	KSTPS	SSTPS
SECL Korea rewa	21.00	22.39	20.45	22.08	21.47	23.68	24.11	26.16	22.48	22.04
NCL	11.71	8.07	8.92	5.10	4.07	2.36	4.14	1.83	8.55	7.13
Total (superior)	**32.71**	**30.46**	**29.37**	**27.18**	**25.54**	**26.04**	**28.25**	**27.99**	**31.03**	**29.17**
SECL Korba Raw	19.83	20.91	17.13	22.08	25.36	22.83	13.02	16.86	2.47	6.46
SECL Korba raw (washed)	0	7.14	2.79	7.11	0.77	9.79	11.86	15.48	23.01	24.75
Total (inferior)	**19.83**	**28.05**	**19.92**	**29.19**	**26.13**	**32.62**	**24.88**	**32.34**	**25.48**	**31.21**
Total (Others)	**1.03**	**3.61**	**4.11**	**4.89**	**3.30**	**4.03**	**3.34**	**3.54**	**3.54**	**3.90**
Grand Total	**53.57**	**62.12**	**53.40**	**61.26**	**54.97**	**62.69**	**56.47**	**63.87**	**60.05**	**64.28**
Total value (Rs. in crore)	**548.10**	**586.84**	**661.02**	**713.13**	**638.98**	**766.77**	**721.39**	**925.34**	**942.24**	**1080.92**

The RRVUNL executed (May 1999) Fuel Supply Agreement (FSA) with SECL for supply of coal to both the TPSs for three years valid up to May 2002. TPSs continued to obtain supply of coal according to terms and conditions of said FSA with coal companies without executing new agreement. The new draft FSA was under evaluation and finalization at various levels for more than seven years and approved belatedly in August 2009. The main reason for delay was disagreement on various clauses of FSA between the coal companies and RRVUNL. Reaching an agreement on such clauses took almost seven years, part of which was avoidable with timely pursuance and follow up.

Poor linkage materialization

2.1.9 The RRVUNL appoints liaison agent for maximum realisation of coal supplies to TPSs against linkage allotted by SLC and/or reduction of shortages in coal supplies received at TPS and accordingly apart from the remuneration, bonus was payable for materialisation of linkage more than specified, while penalty was recoverable for failure to get specified linkage which was prescribed at 92 *per cent* of allocated linkages. Further, as per clause 5.12 of the work order the coal liaison agent was responsible to ensure that supply is dispatched against approved linkages and the required quantity of coal is moved by Railway from the allocated collieries to TPS.

The year-wise targeted generation as reported to SLC, actual generation, requirement of coal as per the targeted generation, linkage allotment, actual receipt of coal and excess/shortage with reference to required coal for standard generation during the review period have been shown below:

Year	Power stations	Targeted generation as reported to SLC (MUs)	Actual generation (MUs)	Coal requirement for targeted generation as reported to SLC (lakh MT)	Linkage quantity (lakh MT)	Actual Receipt (lakh MT)	Excess(+)/ Short(-) receipt of coal (lakh MT) (7-5)
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
2004-05	KSTPS	8440	7430.72	57.34	60.45	53.57	-3.77
	SSTPS	9891	9362.32	64.94	70.50	62.12	-2.82
Total		**18331**	**16793.04**	**122.28**	**130.95**	**115.69**	**-6.59**
2005-06	KSTPS	8543	8294.15	57.90	60.60	53.40	-4.50
	SSTPS	10475	9951.22	68.09	70.50	61.26	-6.83
Total		**19018**	**18245.37**	**125.99**	**131.10**	**114.66**	**-11.33**
2006-07	KSTPS	8681	8162.63	59.26	67.80	54.97	-4.29
	SSTPS	9984	10205.59	65.17	68.40	62.69	-2.48
Total		**18665**	**18368.22**	**124.43**	**136.20**	**117.66**	**-6.77**
2007-08	KSTPS	8551	8395.46	61.89	68.70	56.47	-5.42
	SSTPS	10707	10222.52	70.66	78.75	63.87	-6.79
Total		**19258**	**18617.98**	**132.55**	**147.45**	**120.34**	**-12.21**
2008-09	KSTPS	8843	8674.16	65.17	70.50	60.05	-5.12
	SSTPS	11151	9740.61	77.11	75.30	64.28	-12.83
Total		**19994**	**18414.77**	**142.28**	**145.80**	**124.33**	**-17.95**
Grand total		**95266**	**90439.38**	**647.53**	**691.50**	**592.68**	**-54.85**

It would be seen that actual receipt of coal was lower than the requirement in all the years of review period and shortfall in coal receipt increased from 6.59 lakh MT in 2004-05 to 17.95 lakh MT in 2008-09. Audit observed that despite allotment of higher linkage of 691.50 lakh MT which was more than the requirement, the RRVUNL could secure actual receipt of only 592.68 lakh MT of coal which constituted 85.71 *per cent* of allotted linkage and 91.53 *per cent* of required linkage during the period under review. The materialization of the linkages was not adequate and contributed to shortfall in actual receipt of 54.85 lakh MT of coal. Despite entrusting the work of ensuring adequate linkage of fuel to a liaison agent and prescribing incentive for improving materialization of linkage beyond 92 *per cent*, actual receipt of coal was inadequate and the RRVUNL did not effectively address the lower materialization of linkage with timely payment of coal supplies, effective follow up with Railways, Ministry of Coal and liaison agents *etc.* The delay in payment of coal supplies was due to absence of proper fund management of power sector companies by Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPNL) upto August 2007 following unbundling of the Rajasthan State Electricity Board (RSEB) and by RRVUNL thereafter. The coal supplies were also adversely affected due to the delay in timely payment for supplies which increased from average delay of 2 days during 2004-05 to 6-7 days during 2005-06 and to 16-17 days during 2006-07.

The RRVUNL failed to take advantage of allotment of higher linkage for improving its performance as well as assisting in turnaround in the working of the Discoms.

The Management in the exit conference, while agreeing to fact of para stated (September 2009) that actual generation was higher than the targets approved by CEA.

The actual generation was higher than the targets approved by CEA except in 2008-09 for SSTPS and there was possibility of higher generation as well as maintaining of safe level of coal by securing higher coal materialisation during review period.

Decrease in linkages from superior coalfields

2.1.10 The SLC allocated linkages of coal from various coal fields having different grade of coal. As freight constitute major cost of total cost of coal, it was required that the RRVUNL made adequate efforts for follow up and pursue with various authorities including SLC, Ministry of Coal *etc.* for allotment of coal linkages from superior coalfields having better grade of coal. It was noticed that the linkages allotted by SLC from the superior coalfields of SECL (Korea-Rewa) and NCL had decreased from 60.30 (2004-05) to 42.55 (2008-09) *per cent* in respect of KSTPS. Decrease in respect of SSTPS was from 44.05 to 37.45 *per cent* during the period under review. It was noticed that the distance of coal field having 'F' grade (*i.e.* lower grade coal) was more by 200 to 300 Kms (1,717 Kms as against 1,400-1,500 Kms) in respect of SSTPS, thus requiring higher payment of freight for lower quality of coal. It was noticed that freight cost was higher by Rs. 300 per MT during 2007-08 affecting cost structure of generation. The impact of higher freight worked out to 20 paisa per unit for electricity generated from lower grade coal received from far places which ranged between 8.58 to 11.70 *per cent* of generation cost during review period. The RRVUNL did not take up matter effectively for allotment of higher grade coal from collieries located nearer to the TPS.

The Management in the exit conference stated (September 2009) that it was not within their control and they were helpless in this regard.

Procurement of Imported coal

2.1.11 Ministry of Power, Government of India looking at wide gap between demand and availability of coal, directed (September 2004) the power utilities to either import the coal or reduce generation to the extent of coal shortages and also suggested to consider services of MMTC (PSU) due to experience in the field of import of coal. The State Government also accorded its approval to import coal from Public Sector Undertakings (PSUs) though the imported coal is two to three times costlier as against the indigenous coal. The imported coal being high calorific value coal which could be used by blending upto 10 *per cent* with indigenous coal. The RRVUNL imported total of 11.17 lakh MT coal against the total linkage of 15.30 lakh MT utilizing only 73 *per cent* of linkage allotted in respect of imported coal during the period under review. Lower utilization of linkage of imported coal also affected the generation of power.

Procurement of Beneficiated coal

2.1.12 The process of washing raw coal of inferior quality at washery in order to remove coal dust, stones and shells and cutting the coal into proper size is called beneficiation. The beneficiated coal is also called washed coal, while saving transportation cost by way of eliminating mud/coal dust, stones and shells transported along with coal from coal fields (between 20 to 22.5 *per cent*) and yielding better quality of coal, improves calorific value and reduces maintenance of coal handling plant and ash handling plants. It also meets the objective of reduction of ash content in coal, thereby reducing the pollution and enabling clean environment as stipulated by the Ministry of Environment and Forest (MOEF). The MOEF notified (September 1997) that the TPS situated at distance of more than 1,000 KMs from the pitheads and the power stations situated in polluted areas should use beneficiated coal (from June 2002) with ash percentage limited to 34 *per cent* on annualized basis. In view of the benefits of beneficiation and requirement to comply with the statutory requirement, steps were initiated in May 2001 for awarding the work. It was noticed that despite the directions for use of beneficiated coal by June 2002 as per notification (September 1997), RRVUNL could commence the use of beneficiated coal for SSTPS in December 2002 (delay of six months) and for KSTPS in June 2005 (delay of three years). Thus, the RRVUNL could not comply with the statutory requirement by due dates and also lost out envisaged benefits of beneficiated coal. It was also noticed that the RRVUNL could use only 76.31 to 92.53 *per cent* of raw coal allotted for beneficiation during period under review. The failure of the Management to take timely action on initiating proposal, calling tenders, awarding work for beneficiation and materialising the linkage of raw coal were the main reasons for lower utilization of allotted raw coal for beneficiation. Thus, due to failure of the RRVUNL to use full quantity of raw coal linkage for beneficiation of coal, the envisaged savings of Rs. 24.79 crore could not be availed during the period under review.

Due to non-utilisation of full quantity of raw coal linkage for beneficiation of coal, the RRVUNL failed to avail the envisaged savings of Rs. 24.79 crore.

The Management in the exit conference stated (September 2009) that insufficient washery capacity, non materialization of linkage of raw coal and non availability of rakes from Railways were the main reasons for their viability to avail full benefits of beneficiation and were beyond the control of management.

The contention of the management is not convincing as it could have avoided the instances by adequate planning and proper follow up.

Acceptance of lower yield beneficiated coal

2.1.13 The SLC allotted raw coal (F grade) having ash content upto 42 *per cent* for beneficiation from Korba coal field of SECL to be washed at private washery for which the RRVUNL has to award work order for washing of coal and has to pay washing charges on the coal so washed by washery. The RRVUNL awarded work orders to Aryan Coal Beneficiation Pvt. Ltd. for beneficiation of coal on 23 October 2002 and 25 July 2006 with guaranteed yield of 77.5 *per cent* of raw coal supplied with ash content of 30 *per cent*. The management of the RRVUNL was aware that coal from Korba coal field had easy washability with the average yield of 94.8 *per cent* of washed coal with ash content of 34 *per cent* as per study/reports of Asian Development Bank (ADB). It was observed that despite easy washability with expected high yield, the RRVUNL did not explore any option for prescribing higher yield of beneficiated coal. Thus, acceptance of lower yield was not in the interest of the RRVUNL. Even if the yield was prescribed at 80 *per cent* with 30 *per cent* of ash content which was possible based on the report of ADB, the RRVUNL could have saved an amount of Rs. 27.49 crore comprising of Rs. 10.76 crore in KSTPS and Rs. 16.73 crore in case of SSTPS in the form of lower use of raw coal for the same output of beneficiated coal.

The Management in the exit conference stated (September 2009) that yield was prescribed as per orders finalized by Punjab, which was the first state to finalise tenders for washed coal. It further stated that for higher yield washing charges would be more.

The reply is not convincing as the management did not explore for higher yield of 80 *per cent* and even with higher washing charges the benefit of higher yield could have been more.

Procurement of Gas

2.1.14 Gas Turbine I (GT-1) of 35.5 MW was functioning since January 1996 at Ramgarh, for which gas availability was ensured by agreement with GAIL for purchase and delivery of 0.55 Million Metric Standard Cubic Meter Per Day (MMSCMD) of gas. One additional Gas Turbine (GT-2) of 37.5 MW was commissioned in August 2002 with the provision of operating GT on dual firing of fuel *i.e.* gas and oil. Dual firing was provided to take care of the event of non-availability of required quantum of additional gas. The feed stock for the GT-1 and GT-2 was gas and HSD. Steam Turbo Generator (STG) of 37.5 MW commissioned in April 2003 was using waste steam recovered (left after use in GT-1 and GT-2) as its feed stock. GAIL agreed to enhance supply of gas in August 2003 from 0.55 to 0.75 MMSCMD to the extent of availability. It was noticed that against minimum requirement of 1.0 MMSCMD for the operation of both GTs at the same time, the increased availability of 0.75 MMSCMD of gas from October 2004 was also not sufficient to operate both GTs at the same time, thus continuously underutilizing one GT and STG. Audit noticed that adequate quantity of gas supply was not available for both the GTs, hence indecisiveness of management in not operating both the GTs on dual fuel using HSD as envisaged in project report resulted in substantially lower utilization of capacity. The position of targeted generation at 70 *per cent* as fixed by the RERC and actual generation and percentage of actual generation to targeted generation for GT-1, GT-2 and STG as well as overall Plant Load Factor (PLF) is given in the **Annexure-7.** The Plant Load Factor (PLF), a measure of the output of a power plant compared to the maximum output it could produce, was always substantially lower due to failure of the RRVUNL to tie up requirement of fuel *i.e.* gas for the project and not operating plant using HSD except during the Rabi period. The percentage of actual PLF ranged between 36 and 45 against 70 *per cent* fixed by the RERC in determination of tariff during the review period. Further, the PLF was lower than 20 *per cent* in 17 months in GT-I, six months in GT-2 and 14 months in STG during the review period. In view of the less availability of gas, the RGTPS continued the operation of both GTs by generating one GT at full load and other on part loads or shutting down the second GT which resulted in shortfall in generation of 602.74 MUs valuing Rs. 137.40 crore in GT-I, 106.54 MUs valuing Rs. 20.52 crore in GT-2 and 717.36 MUs valuing Rs. 159 crore in STG during the review period. The commissioning of the GT-2 and STG without ensuring the requirement of supply of gas and non operation on dual fuel resulted in loss of revenue of Rs. 316.92 crore due to less generation.

It was observed that the RERC considered PLF at 70 *per cent* as against PLF of 80 *per cent* envisaged in project report, thus allowing relaxation of 10 *per cent* in PLF and consequent advantage in the determination of two part tariff *i.e.* fixed charges and variable charges. Fixed charges remain fixed irrespective of increase/decrease in output, and includes depreciation, interest, lease rental, operation and maintenance expenditure *etc*. while variable charges varies proportionately to the level of output and includes cost of gas, oil *etc*. Despite this, the RRVUNL did not even operate the plant at 70 *per cent* PLF and passed on extra burden of fixed cost of Rs. 72.50 crore being the cost of the underutilized capacity on Discoms (Consumers of Company). This was despite the fact that the RERC also fixed recovery of variable cost for plant using HSD or combined fuel *i.e.* gas and HSD.

Failure of management to effectively plan the use of gas resulted in loss of generation of 1,426.64 MUs.

Thus, failure of the management to effectively plan the use of fuel resulted in loss of generation of electricity of 1,426.64 MUs valued at Rs. 316.92 crore and extra burden of Rs. 72.50 crore on the Discoms primarily because of substantial underutilization of plants.

The Management in the exit conference stated (September 2009) that GAIL could not provide the increased amount of gas from the fields of Oil India Limited. Gas arrangements are now being tied up with GAIL from the Focus gas fields.

Transportation of Fuel

2.1.15 The coal from different collieries of SECL and NCL is transported through railway wagons. The rate of freight is determined by the Railways. Freight is a major component of cost of coal to the RRVUNL. The transportation of coal through Railways includes the following risks:

- transit losses/shortages due to pilferages and theft which is direct loss to the RRVUNL as neither coal company nor Railways reimburse the transit loss.
- incidence of overloading charges, under loading charges and blockage of funds due to incidence of claims on this account.
- payment of demurrage if the wagons are not unloaded within prescribed time limit.

The RRVUNL received total quantity of 592.68 lakh MT of coal from different collieries through Railways and incurred Rs. 6,262.41 crore towards freight during the period under review. The freight cost to total cost of fuel ranged between 41 and 51 *per cent* during the period under review. The freight cost and total cost of fuel and its percentage are given below:-

(Rs. in crore)

Year	Freight	Total cost	Percentage of freight to total cost
2004-05	1173.35	2308.29	50.83
2005-06	1211.72	2585.87	46.86
2006-07	1279.37	2685.12	47.65
2007-08	1214.33	2861.05	42.44
2008-09	1383.64	3406.81	40.61
Total	**6262.41**	**13847.14**	**45.23**

A liaison agent was appointed for effective coordination between the collieries and authorities of Railways and for smooth transportation of fuel, timely loading and unloading and securing linkages. The observations of audit relating to deficiency in transportation of fuel are discussed in succeeding paragraphs.

Transit loss of coal

2.1.16 Transit loss of coal represents difference between the billed and actual quantity of coal received at the power station. Coal is transported by Railways at consignee's risk and as sale of coal is deemed to have been finalised at pithead, therefore, neither the collieries nor the Railways reimburse the transit loss. Therefore, strict control on the transit loss was essential as excess transit losses affects the generation of electricity and utilization of TPSs and further worsen the power shortage scenario. A statement showing transit losses for both KSTPS and SSTPS in respect of each coal field for the period under review is given below.

Transit loss (in per cent)

Year	NCL		SECL (Korea- Rewa)		SECL (Korba)		SECL (Washed)		Total	
	KSTPS	SSTPS	KSTPS	SSTPS	KSTPS	SSTPS	KSTPS	SSTPS	KSTPS	SSTPS
2004-05	1.67	-0.18	4.32	3.50	2.49	0.72	0	0.68	3.05	1.67
2005-06	3.23	1.31	4.98	4.12	1.53	0.42	1.84	1.09	3.31	2.06
2006-07	1.32	1.49	2.66	2.68	0.52	0.87	-1.42	0.93	1.46	1.64
2007-08	1.89	1.33	1.73	1.41	0.47	1.01	0.96	1.14	1.26	1.22
2008-09	2.92	2.26	1.98	1.46	2.16	1.33	1.17	0.85	1.80	1.29

Note: (-) indicates gain in transit.

Transit losses for KSTPS were significantly higher than the SSTPS despite proximity to pithead. The excess transit losses (over and above 1.5 *per cent*) worked out to Rs. 49.95 crore for 2.45 lakh MT of coal.

Though transit losses (in case of KSTPS) had declined over the period from 3.05 *per cent* in 2004-05 to 1.80 *per cent* in 2008-09 and from 1.67 *per cent* in 2004-05 to 1.29 *per cent* in 2008-09 for SSTPS, these are still high at 2.92 *per cent* for NCL- KSTPS and 1.98 *per cent* for SECL (CIC)-KSTPS. Further, it can be seen from the above table that transit losses for KSTPS were significantly higher than the SSTPS despite SSTPS being located 1,410 to 1,717 Kms away from collieries as against distance of KSTPS being only 666 to 1,013 Kms from the collieries. Transit losses in case of coal received from SECL (Korea- Rewa) were higher at KSTPS as compared to losses at SSTPS during review period except the year 2006-07. The RRVUNL did not analyze the reasons for the higher transit losses in case of KSTPS for taking remedial measures. Further, the RRVUNL had not fixed any norms for transit losses keeping in view the distance from colliery and other factors with a view to exercise control over the losses. It was noticed that the transit loss allowed to the contractor in case of beneficiated coal from October 2002 was fixed at 1.5 *per cent* which involved road transport from colliery to washery and by rail from washery to TPSs and the losses of less than 1.5 *per cent* were achieved by the contractor during the review period. Thus, the transit losses for all other coal transported directly by rail from colliery to TPSs should be lower than 1.5 *per cent*. The excess transit losses (over and above 1.5 *per cent*) worked out to Rs. 49.95 crore for 2.45 lakh MT of coal during the period under review.

The Management in the exit conference stated (September 2009) that transit losses vary due to weighment tolerance difference, pilferage, sizing of coal, route difference and route of coal for KSTPS is more vulnerable to higher pilferage, however, transit losses had declined generally and more efforts would be made to restrict the transit losses.

Short recovery of idle freight of Rs. five crore on excess shortages due to weak conditions of contract

2.1.17 The objective of the awarding of beneficiation of the coal was to reduce the ash content and improve the quality of coal at lower cost, which was possible to be achieved by determining ash content and quality of coal on rake to rake to basis. The RRVUNL prescribed evaluation of ash content in the beneficiated coal and yield based on weighted average of 20 rakes, which was further increased to 30 rakes (July 2006). The provision of evaluation of ash content in the beneficiated coal and yield based on weighted average of

20 rakes and 30 rakes was at disadvantage to the RRVUNL as impact of rakes supplied with higher ash contents *i.e.* inferior quality coal was neutralized under weighted average method. Determination of average ash content of 20/30 rakes was not a prudent decision as this has provided an opportunity to the firm to supply higher ash content coal in number of rakes without any disincentive.

Similarly, despite payment of freight on rake to rake basis to Railways, the computation and recovery of idle freight on shortages in excess of maximum 1.5 *per cent* allowed on the basis of weighted average of 20 rakes and 30 rakes instead of rake to rake basis was not in the interest of the RRVUNL. It was noticed that the RRVUNL incurred extra expenditure of Rs. five crore comprising of Rs. 1.73 crore for KSTPS and Rs. 3.27 crore for SSTPS during 2007-09 alone, which could not be recovered due to computation on the basis of weighted average of 20 rakes and 30 rakes instead of rake to rake basis.

The Management in the exit conference stated (September 2009) that recovery was as per contract conditions, they however agreed to look into the matter in future contracts.

Abnormal increase in overloading and under loading charges

2.1.18 As per clause 8.2 of FSA, the proforma invoice was to be prepared on rake to rake basis, charging basic price of coal, sizing charges, and all other statutory charges (the idle freight resulting from under loading of wagons and 50 *per cent* of overloading charges was to be reduced), shall be delivered to the purchaser's bankers for payment within two banking working days of presentation of proforma invoice. The details of overloading and under-loading charges paid by the RRVUNL to the Railways, share of coal companies and outstanding recovery position during the period under review are detailed below:-

(Rs. in crore)

Year	Overloading charges						Under loading charges					
	Share of overloading charges of coal companies at the rate of 50 *per cent*			Overloading charges outstanding for recovery			Share of under loading charges of coal companies at the rate of 100 *per cent*			Under loading charges outstanding for recovery		
	KSTPS	SSTPS	Total	KSTPS	SSTPS	Total	KSTPS	SSTPS	Total	KSTPS	SSTPS	Total
2004-05	1.73	3.79	5.52	0.00	3.79	3.79	0.89	1.54	2.43	0.63	1.54	2.17
2005-06	4.64	10.70	15.34	0.00	10.70	10.70	3.63	7.31	10.94	0.42	7.31	7.73
2006-07	4.61	6.23	10.84	0.00	6.23	6.23	4.60	7.33	11.93	0.69	7.33	8.02
2007-08	2.31	3.78	6.09	0.00	3.78	3.78	11.38	23.31	34.69	0.42	23.31	23.73
2008-09	0.58	0.93	1.51	0.04	0.93	0.97	10.74	20.65	31.39	4.55	20.65	25.20
Total	**13.87**	**25.43**	**39.30**	**0.04**	**25.43**	**25.47**	**31.24**	**60.14**	**91.38**	**6.71**	**60.14**	**66.85**

The RRVUNL appointed Naresh Kumar and Company (coal liaison agent) for supervision of coal rakes consigned to KSTPS and SSTPS. As per clause 5.03 of the work order, it was the responsibility of coal liaison agent to supervise the loading and weighment at all the points and to ensure that the wagons were loaded upto the full carrying capacity and to avoid instances of overloading. These costs were avoidable and controllable to large extent. It could be seen from above table that the share of overloading charges was significantly higher at Rs. 15.34 crore and Rs. 10.84 crore during 2005-06 and 2006-07 respectively and share of SSTPS of Rs. 25.43 crore constituted 64.71 *per cent* of total overloading charges of Rs. 39.30 crore during the period of review. The whole amount of Rs. 25.43 crore towards overloading charges in respect of SSTPS was outstanding for recovery. It was further observed in audit that neither the SECL was deducting the overloading charges from proforma invoices as per the FSA nor the RRVUNL was deducting the overloading charges while making the payments to SECL. The SSTPS has not taken any concrete action to recover the claims except submitting the claims. The claims of overloading charges in respect of SSTPS had accumulated to the extent of Rs. 27.23 crore (including Rs. 1.80 crore up to 2003-04) as on 31 March 2009. Thus, overloading had significantly increased during 2005-06 and 2006-07 indicating the failure of the coal agent in effective control of the loading of the coal at collieries as there was no clause of penalty for overloading and under loading in the work order of liaison agent. Thus, an amount of Rs. 94.12 crore paid in respect of under loading and overloading claims remained blocked, substantially affecting financial position of the RRVUNL mainly due to inadequate follow up.

The Management in the exit conference stated (September 2009) that they were operating under tough conditions imposed by the Railways and due to non execution of FSA, claims are not being admitted by the coal companies, however, efforts would be made to settle these claims. The reply does not address the role of coal agent.

Quality assurance

Quality assurance and sampling

2.1.19 As per clause 6.00 of FSA, sampling and quality analysis for rail fed stations was to be carried at both sending and receiving end by one independent third party/agency. RRVUNL invites tender for appointment of third party agency for sampling analysis but the final decision for such appointment was done by the Joint Tender Committee (JTC) which includes the representative of both RRVUNL and SECL/CIL. The payment of charges for sampling at colliery end was to be made by coal companies and those done at power stations end by the RRVUNL. The sampling analysis should be carried out in accordance with the relevant provisions of the Bureau of Indian Standard specifications/mutually agreed procedure on rake to rake basis. Results of sampling decide the grade of coal. RRVUNL has to make the advance payment for the coal, based on the declared grade of coal by collieries. If receipt of lower grade of coal is reported in third party/referee report, then grade slippage claims are to be lodged with concerned coal companies.

Defective sampling procedure

2.1.20 Rake-wise sample collection was to be done in accordance with the mutually agreed procedure under the IS 436 (Part-I, Section–I), 1964 and

IS 436 (Part–I, section–II) 1976 modified up to date. As against number of sub-lots to be taken from the wagons received on the basis of the total weight of the rake received, a maximum 25 *per cent* of the wagons were to be selected at random from the sub-lots. It was observed in audit that the first and last wagon are always selected as sample and the rest of the wagons were divided into four sub-lots and 25 *per cent of* the wagons were selected at random from sub-lots for drawing the gross sample, thus affecting the randomness of sample and being a departure from laid down procedures. Audit felt that the justification of this procedure was questionable as it sacrifices randomness of sample and correctness of sampling results based on which the grade of coal was decided. RRVUNL did not take sample for analysis at its own laboratory or any other Government recognized laboratory to ascertain the effectiveness of sampling procedure and whether the same was correct and protecting its interest**.** In absence of energy audit, the role of quality assurance and effective sampling was more important but RRVUNL had not followed proper quality assurance procedures.

Delayed sampling analysis

2.1.21 Timely sample collection, analysis, documentation and preparation of comparative statement of the results of the loading and unloading end were critical essence of quality assurance procedure. As per the work orders for sampling analysis, placed from time to time, the analysis of results of the samples should be submitted within seven days and the comparative statements of the loading and unloading results should be submitted within 10 days. Out of 3,186 sample reports test checked, 798 cases were submitted with the delay which ranged upto one month in 491 cases and one to three months in 307 cases. Similarly, in 729 cases the comparative statements were also submitted with the delay ranging up to one month in 478 cases and one to three months in 93 cases and more than three months in 158 cases. Further out of 3,186 reports, 270 reported receipt of lower grade of coal than declared grade by Collieries. Audit observed that claims of Rs. 27.98 lakh in respect of grade difference for the period of May 2007 to February 2008 could not be lodged as report of referee at loading end were not available with KSTPS**.** These substantial delays also led to delayed submission of various grade slippage claims as brought out in paragraph 2.1.30.

The Management in the exit conference stated (September 2009) that system of sampling has been changed and according to new FSA signed recently, sampling at the loading point would be final. As regards delayed sampling, management stated that reports were obtained and claims were lodged or were being lodged.

Consumption of fuel

High incidence of consumption of coal

2.1.22 The position of excess coal consumption against the norms fixed by the RERC in determination of tariff for the review period is given in the **Annexure-8**. It could be seen that actual consumption of coal at KSTPS (0.650 to 0.684 Kg per KWH) and at SSTPS (0.5642 to 0.6098 Kg per KWH) was higher in all the years of review period. Poor quality of coal (paragraphs 2.1.10 and 2.1.30), receipts of stone and shale along with coal (paragraph 2.1.31), use of coal without proper sampling (paragraph 2.1.20), excess heat in process of generation (paragraph 2.1.23) *etc.* were the reasons for excess consumption of coal.

The Management in the exit conference stated (September 2009) that these norms of RERC were for determination of tariff and were based on specific gross calorific value of coal, while gross calorific value of actual coal received was less.

The reply is not convincing as even after considering the gross calorific value of actual coal received on yearly basis, the coal consumption was higher by Rs. 135.14 crore. Further excess heat used in process of generation worked out on monthly basis led to excess consumption of coal amounting to Rs. 245.10 crore as brought out in succeeding paragraphs. The management did not take other measures such as better blending of imported coal, improved storage to reduce loss of calorific value of coal to optimise specific coal consumption.

Excess consumption of coal due to high incidence of heat rate

2.1.23 Gross Station Heat Rate (SHR) refers to the heat energy input in Kcal required for generating one KWH of electrical energy at generating terminals. The norms of SHR for each unit of the power stations have been prescribed by the RERC in accordance with Terms and Conditions for Determination of Tariff Regulations, 2004. The RERC prescribed the SHR of 3,100 Kcal/KWH for 110 MW thermal units for 2004-05 with reduction of 25 Kcal per annum to achieve targeted SHR of 3,000 Kcal/KWH. The SHR of 2,500 Kcal/KWH was prescribed for above 110 MW thermal units (KSTPS and SSTPS). It was observed in audit that there was wide disparity in heat used for per KWH unit generation of electricity from month to month basis. It was noticed during the audit that heat used for unit II (110 MW) of KSTPS per KWH unit of electricity generated ranged between 2,497 Kcal/KWH to 3,597 Kcal/KWH as against the prescribed norm/standard of 3,100 Kcal/KWH to 3,000 Kcal/KWH for the period of 2004-05 to 2008-09. This indicated that 2,497 Kcal was used for producing one unit of electricity in one month, while 3,597 Kcal was used in another month, reflecting wide variation in consumption of heat rate. Similarly wide variation existed in other units of KSTPS and SSTPS. High variation upto 27 *per cent* from standard prescribed by the RERC required analysis of reasons for high variation for taking remedial measures to improve the use of heat in the process of generation. RRVUNL did not analyze the reasons for such wide variation in use of heat on month to month basis. The excess consumption of coal based on monthly average basis due to higher SHR than the norms in respect of both KSTPS and SSTPS was valued at Rs. 245.10 crore, which indicated that there was adequate scope for improvement by effective use of heat. RRVUNL needs to take steps and create systems and infrastructure for optimizing use of heat based on outcome of energy audit.

The excess consumption of coal based on monthly average basis due to higher SHR than the norms in respect of both KSTPS and SSTPS was valued at Rs. 245.10 crore.

Thermal efficiency is the aggregate of boiler and turbine efficiency. RRVUNL did not work out the thermal efficiency of each unit as well as for whole TPS in respect of KSTPS and thereby could not compare the same with the thermal efficiency guaranteed by the manufacturer or the supplier of the plant. The SSTPS worked out the thermal efficiency without comparing with the standard as well as with that guaranteed by the manufacturer.

Excess consumption of gas of Rs. 50.76 crore

Excess heat consumed in RGTPS worked out to 87,319 MKcal equivalent to 210 MMSCM of gas valued at Rs. 50.76 crore.

2.1.24 The RERC prescribed the SHR of 3,000 Kcal/KWH for 2004-05 with annual reduction of 15 Kcal/KWH in open cycle of RGTPS *i.e.* operation of one GT without operation of STG. Further, the SHR of 2,000 Kcal/KWH for 2004-05 with annual reduction of 10 Kcal/KWH was prescribed in combined cycle *i.e.* operation of one or two GT with combined operation of STG. Audit analysis of the consumption of gas *vis-à-vis* units generated for the review period revealed that actual heat rate ranged between 2,017 Kcal per unit (against norms of 1,980 Kcal per unit) to 3,313 Kcal per unit (against the norms of 1970 Kcal per unit) which was in excess of norms ranging between 37 Kcal per unit to 1,343 Kcal per unit of electricity. Excess heat consumed during review period in RGTPS worked out to 87,319 Million Kilo Calories (MKcal) equivalent to 210 Million Metric Standard Cubic Meter (MMSCM) of gas valued at Rs. 50.76 crore. The reasons for excess consumption of heat rate against the norms were not analyzed by the management.

The Management in the exit conference stated (September 2009) that it was due to operating plants on partial load instead of rated load.

Infructuous expenditure of Rs. 3.25 crore due to less drawls of gas

2.1.25 In terms of article 5.02 of the agreement, RRVUNL was required to pay for monthly minimum guaranteed off take (MGO) fixed at 80 *per cent* of the monthly contracted quantity or actual quantity of gas supplied, whichever was higher. The GT 1 of the RGTPS was operated with supply of gas agreement of 0.55 MMSCMD and GAIL agreed (August 2003) to enhance the supply by 0.2 MMSCMD gas. As against the requirement of 1.0 MMSCMD for the operation of both the GTs at same time, the enhanced supply to 0.75 MMSCMD was not sufficient. Audit noticed that RGTPS failed to even draw 80 *per cent* of the 0.55 MMSCMD upto September 2004 and 0.75 MMSCMD from October 2004 in total period of 15 months[*] resulting in payment of Rs. 3.25 crore for MGO charges for which the gas was not drawn.

The Management in the exit conference stated (September 2009) that it was due to breakdown of the Gas plant. On pointing out that it was related to period of fifteen months, the Management assured to give detailed reply after verification of facts.

* April to September 2005, August 2006 to October 2006, April to June 2008, September 2008 to October 2008 & March 2009.

Excess auxiliary consumption

2.1.26 The norms relating to allowable auxiliary consumption were fixed by the RERC while approving annual revenue requirement and determining tariff. It was noticed that auxiliary consumption in RGTPS was high ranging from 6.77 to 9.55 *per cent* as against 5 *per cent* allowed by the RERC during 2004-05 to 2008-09. The excess consumption was equivalent to 65.91 MUs valued at Rs. 14.78 crore. Thus, there was need to analyse the specific reasons contributing to higher auxiliary consumption for taking remedial measure.

The Management in the exit conference informed (September 2009) that it was due to operating plants on partial load instead of rated load.

Inventory Management

2.1.27 RRVUNL had prescribed safe and critical level of coal stock at 15 days and seven days respectively as a part of inventory management. RRVUNL was required to maintain safe level of stock at all the times. RRVUNL was also required to prescribe periodical system of physical verification for effective accounting and control purposes. The availability of right quality fuel in adequate quantity for meeting production targets and the procedure prescribed for exercising controls on wastages or losses of material, proper accounting, safe and critical level of coal in terms of days prescribed were reviewed in audit. It was noticed that inventory level of coal had fallen below critical level very often during 2007-08 and 2008-09. Coal stock level had remained below critical level (less than 7 days of requirement) for 168 days in 2007-08 and 247 days in 2008-09 for SSTPS. Similarly, coal stock remained below critical level on 56 days in 2007-08 and 70 days in 2008-09 in case of KSTPS. The safe level of stock prescribed at 15 days of requirement was available only on 35 days for SSTPS and 59 days for KSTPS during two years period ending 2008-09. As brought out in paragraph 2.1.9, due to non materialization of linkages, the material required was not sufficient to meet the targeted generation. RRVUNL admitted that the measurement of coal on monthly and quarterly basis and reconciliation of receipt, issue (consumption) and balance *etc.* were done on provisional basis. Adequate system of monthly and quarterly measurement of coal did not exist. Proper physical verification of coal was conducted only once in a year and therefore the performance may be evaluated on yearly average basis instead of month to month or quarter to quarter. Thus verification system for inventory assessment, planning, control on shortage, accounting and reconciliation of receipt, issue (consumption) and balance *etc.* was not effective. There was need to improve the infrastructure to ascertain reliable information in respect of all parameters on monthly basis and to improve inventory control.

The Management in the exit conference confirmed (September 2009) the position brought out in paragraph.

Financial Management

2.1.28 Effective financial management ensures smooth cash flow for optimizing the performance of all functions of an organization and includes arranging timely funds from realizations of sales and other income and gaps of cash flow either by investing to earn return or from borrowing at competitive interest rate with a view to meet need of all its operational requirements including purchase of adequate fuel. The systems and procedures should be so organized that there are no delays in realizations of funds from various sources including claims from coal companies, Railway *etc.* as well as no delay in payments which attracts penalty or affects procurement of fuel and other resources. There is separate wing to cater the financial needs and RRVUNL was able to arrange the short term loans at reasonable rates for procurement for coal, payment of Railway freight *etc*. RRVUNL prepares the cash flow statement to optimise use of cash. However, deficiencies in financial management as noticed in audit are discussed in succeeding paragraphs with particular reference to fuel management.

Guidance of functional directors

2.1.29 RRVUNL did not have any full time functional directors such as Director (Fuel), Director (Technical) and Director (Finance). It was noticed that considering the size and operations of the RRVUNL, there was need for full time functional directors particularly Director (Finance) for efficient and effective operations of the Company. The Government, however, nominated full time functional Director (Finance) in April 2007 to take care of needs of finance side.

Delay in realization of claim against coal companies

Claims of grade difference

2.1.30 The FSA stipulated that in case receipt of lower grade of coal is reported in third party/referee report, then grade slippage claims are to be lodged with concerned coal companies. It was observed that claims included the basic value of coal plus Central Sales Tax (CST) and claims of Rs. 15.96 crore as on 31 March 2009 were outstanding. Audit observed that claims on account of difference in the amount of CST arising due to decrease of cost of coal of grade slippage were outstanding on the ground that claims of particular financial year were not submitted during the same financial year. It was noticed that Rs. 1.15 crore out of Rs. 1.46 crore in respect of SSTPS and Rs. 1.65 crore in respect of KSTPS were on account of CST that were not reimbursed due to non submission of claims during the same financial year. Other reason for delay in submission of claims was also attributable to delay in receipt of sampling reports. Audit noticed that the chances of recovery of CST claims (Rs. 2.80 crore) and old claims pertaining to period prior to 2004-05 (Rs. 8.21crore) appeared to be bleak.

Claims in respect of Stones

2.1.31 As per clause 3.2.2 of FSA, the coal supplied by the seller shall generally be free from oversize stones, stones above 200mm shall be segregated by the purchaser and equivalent cost of the same along with 50 *per cent* freight (except surcharge) royalty and taxes will be paid by the seller. The purchaser shall notify the seller for inspection of stones. The size of more than 200 mm stones shall be ascertained by joint weighment after which the stones will be disposed of away from the site of stacking. On review of the claims of stones, it was noticed that huge amount is outstanding against coal companies on account of oversize stones received by SSTPS along with coal. Claims of Rs. 2.01 crore lodged on account of oversize stones received at SSTPS were outstanding for settlement against coal companies as on 31 March 2009. SSTPS also could not lodge claims for 12,387.47 MT stones (claimable amount of Rs. 1.54 crore) accumulated during the period June 2007 to March 2009 due to non assessment/inspection of the stones by the representative of coal companies. Thus, an amount of Rs. 3.55 crore was outstanding for settlement of these claims which pertained to the review period.

Delay in payment for coal supplies

2.1.32 It was observed that RRVUNL was not paying for coal supplies on schedule due to improper management of its financial resources. The payments were made weekly on ad-hoc basis without any reference to due dates of various bills. It was noticed that in most of the cases, due dates were not mentioned in the bill cum payment register of coal supplies and there was no monitoring of payment on the basis of due dates. It was noticed that large amount of funds were blocked in number of claims, where the recovery efforts were not adequate and there was delay in payment of coal supplies which resulted in not getting full linkage of coal for both KSTPS and SSTPS as brought out in para 2.1.9. The demand of interest in terms of provision of FSA at the rate of 12 *per cent* per annum for delay beyond the provision of FSA was raised by the coal companies, while short term borrowing rates were lower than 12 *per cent* ranging from 7 *per cent* to 10 *per cent* during review period. It was noticed that SECL demanded (January 2006 and December 2007) interest of Rs. 19.01 crore (KSTPS- Rs. 9.98 crore and SSTPS Rs. 9.03 crore) for the period from 2003-04 to 2006-07 for the delay in release of payment of coal. The Coal India Limited (CIL) stated (July 2006) that extent of delay in release of payment had increased to 16-17 days during 2006-07 from 6-7 days in 2005-06 and 2 days in 2004-05. It was also observed that the RRVUNL deposited an interest free advance of Rs. 6.45 crore during 2004-05 and Rs. 5.95 crore during November 2004 to May 2005 with NCL towards monthly linkage of one lakh MT each for KSTPS and SSTPS respectively. Audit noticed that though the linkage has been reduced progressively to 30,000 MT for KSTPS and 15,000 MT for SSTPS in 2007-08, RRVUNL did not seek refund or adjustment against supply in phased manner in accordance with the reduction in the linkage, thus carrying higher than required interest free advance with NCL, while delaying payment in respect of SECL. However, the excess amount of advance of Rs. 2.60 crore in respect of KSTPS and Rs. 1.74 crore in respect of was SSTPS was adjusted belatedly during

August 2008. Thus, non adjustment of excess funds lying with NCL adversely affected its fund position in paying other dues in time. RRVUNL is yet to settle the demand of interest of Rs. 19.01 crore.

Non pursuance for refund of deposits of Rs. 7.50 crore

2.1.33 A surcharge of 10 *per cent* of freight is payable on booking wagon on 'To Pay' basis. Railways under its scheme exempt levy of surcharge on maintaining the deposit for transportation charges equal to the monthly linkage of coal rakes. RRVUNL maintained Rs. 40.10 crore as advance payment equal to the monthly linkage of coal rakes (30 December 2004) which was increased to Rs. 48 crore in March 2007. The Railway insisted on e-payment of freight following improvement in the banking system. The Board decided (13 October 2005) to adopt the e-banking scheme of rail freight towards movement of coal. Tripartite agreement has been executed with Railways and banks for e-payment of coal freight charges account in respect of SSTPS on 14 December 2007 and 1 January 2008 with South East Central Railways (SECR), Bilaspur and East Central Railways (ECR), Hajipur respectively by providing bank guarantees (BG) of Rs. six crore issued (9 January 2008) in favour of SECR and Rs. 1.50 crore in favour of ECR but without adjusting deposit of Rs. 48 crore of the SSTPS lying with Railway under the advance freight payment scheme. It was observed that non pursuance of the issue relating to refund or adjustment resulted in blocking of funds of Rs. 7.50 crore and avoidable interest charges were incurred while RRVUNL was availing short term loans and overdraft facilities for working capital requirements. The adjustment or refund was still pending.

Non recovery for change in price of coal from contractor

2.1.34 The provision of contract (Clause 5.23 of the work order of 25 July 2006) awarded for beneficiation of coal, stipulated that on failure in lifting the coal within the prescribed period and if the price is revised in between, then the differential price should be recovered from the contractor. The CIL revised (12 December 2007) the prices of coal of 'F' grade from Rs. 606.16 per MT to Rs. 675.68 per MT. RRVUNL, however, had borne the expenditure of Rs. 1.03 crore instead of recovering the amount for increased price on the quantity from the contractor, as the coal was not lifted timely by him.

Extra expenditure due to furnishing bank guarantee to Railways instead of Government guarantee

2.1.35 The KSTPS provided BG of Rs. six crore for opting for credit note cum cheque facility from Railways by paying guarantee commission during February 2004 to February 2006 despite practice of availing Government guarantee for obtaining the funds from various banks from 2000-01 as the Government charges commission at the rate of 0.1 *per cent* only instead of one *per cent* charged by bank. Similarly, the SSTPS furnished (January 2008) BG to Railways (Rs.1.50 crore and Rs. six crore) instead of approaching them for acceptance of Government guarantee. Thus, RRVUNL incurred extra expenditure of Rs. 39.72 lakh for guarantee commission as compared to Government guarantee.

On various observations relating to financial management, the Management in the exit conference stated (September 2009) that despite its efforts, the claims and refunds were not granted by coal companies and Railways. It further stated that payments are being made on time as far as possible and they were forced to maintain advance deposit with Railway and coal companies.

Energy Audit

2.1.36 Energy Audit is an important step towards identifying the factors contributing to inefficient operation of a power station, thus, improving overall productivity of fuel. It was noticed that Energy Audit was required to be conducted in compliance with Energy Conservation Act, 2001 and such audit was being conducted at generating stations of other various entities such as NTPC Limited and West Bengal Power Development Corporation Limited *etc*. Studies carried out in the course of energy audit involve review of the design and actual operational values of equipment and auxiliaries. It is intended to ensure that the performance of each section of generation process is as near as possible to the designed specification. Energy Audit offers valuable inputs in form of remedial measures for improving the efficiency in use of fuel. It was noticed that no Energy Audit was conducted either internally or by out side specialized agency despite objection raised during the hearing of tariff petition filed in the RERC for the year 2004-05. As discussed in paragraphs 2.1.23, 2.1.24 and 2.1.26, the KSTPS, SSTPS and RGTPS failed to maintain the norms of SHR and norms of auxiliary consumption were also not adhered to in case of RGTPS during the period under review.

The Management in the exit conference while confirming the facts stated (September 2009) that there was no formal system of Energy Audit and efforts were made to identify areas of heat losses with the help of experts and certified energy engineers whenever possible and assured Energy Audit would be strengthened.

The above matters were referred to the Government in June 2009, their reply had not been received (September 2009).

Conclusion

Fuel management system did not meet the expectation of being operated economically and efficiently as follows:-

- **failure to procure required coal despite allotment of higher linkage of coal resulting in loss of generation of electricity;**
- **envisaged saving could not be realised due to not using full quantity of washed coal linkages and acceptance of lower yield;**
- **due to failure to tie up required gas, under utilisation and non-**

operation of gas based plants on dual fuel resulted in loss of generation;

- **higher incidence of transit losses of coal led to avoidable losses;**
- **the quality of fuel received was not inspected as per the laid down sampling procedure;**
- **the actual consumption of coal, gas was higher than the norms fixed by the RERC;**
- **inadequate inventory management system for coal caused coal stock falling below critical level on several occasions;**
- **inefficient financial management led to non-realization of claims and delayed payments of fuel supplies; and**
- **energy audit was not undertaken despite huge heat losses, higher consumption of coal and higher auxiliary consumption.**

Recommendations

The RRVUNL needs to-

- **evolve effective control mechanism on coal liaisoning agents to procure allotted linkages;**
- **enhance the use of beneficiated coal to reduce the generation cost;**
- **ensure operation of gas based plant on dual fuel to maximise utilization of envisaged capacity;**
- **closely monitor the transit losses and take up the matter at highest level with the Railways so that these losses are reimbursed by Railways;**
- **devise system to ensure quality assurance as per laid down procedure of sampling;**
- **analyse and if necessary – investigate, the reasons of consumption of coal above norms and take remedial measures to ensure the consumption within the norms;**
- **devise more strengthened financial management system for timely submission and monitoring/realisation of various dues including claims lodged with coal companies and other parties; and**
- **implement the energy audit system expeditiously to reduce incidence of heat losses and excess consumption of fuel.**

Ajmer Vidyut Vitran Nigam Limited

2.2 IT Audit on Computerisation of revenue billing system by Ajmer Vidyut Vitran Nigam Limited

Executive summary

Ajmer Vidyut Vitran Nigam Limited (Company) outsourced (May 2005) the work of design, development and maintenance of billing software, data processing of billing data, printing of bills and preparation of various management reports in respect of various circles to two service providers viz; Business Information and Processing Services (BIPS) and Aditi Computers. An Information Technology Audit on billing system of the Company was attempted to ascertain that the Company, before awarding the work of its core activity of revenue realisation, has adequately addressed the associated risks of outsourcing. Further, the audit was also conducted to examine, analyse and to assess adequacy and effectiveness of billing process and revenue realisation.

Computerisation of revenue billing of the Company was assessed against the Tariff for supply of electricity-2004, and Terms and Conditions of Supply (TCOS) - 2004, Rules, notifications, directions issued by the Rajasthan Electricity Regulatory Commission (Commission) and orders and circulars issued by the Company. The data available with the Company was analysed with the help of Computer Assisted Audit Techniques.

Though the system developed by both the service providers was adequate as regards to processing of billing data and generation of electricity bills yet there were many shortcomings leading to incorrect billing as well as not achieving full potential of IT applications. In a broader way, observations of audit have been categorised as deficiencies of general controls, system design deficiencies, deficient mapping of business rules, application controls such as deficient input controls and validation checks etc. Besides, some contractual deficiencies, non-reconciliation of data available in the system with financial statements of the Company were also noticed. Need to establish an effective internal control mechanism as regards to IT applications was also felt.

Introduction

2.2.1 Ajmer Vidyut Vitran Nigam Limited (Company) was incorporated on 20 July 2000 after unbundling of erstwhile Rajasthan State Electricity Board (RSEB). The activity of the Company is spread over nine[*] circles. The Company is distributing electricity to different categories of consumers and collecting revenue from them for the electricity supplied as per tariff orders issued by the Rajasthan Electricity Regulatory Commission (Commission). The Company outsourced (May 2005) the work of generation of electricity bills of all High Tension (HT) consumers and seven[**] circles in respect of Low Tension (LT) consumers to Business Information Processing Services (BIPS). The work of remaining two circles *i.e.* Sikar and Jhunjhunu was outsourced to Aditi Computers for LT consumers. Aditi Computers developed the software using Oracle 9i as RDBMS and UNIX & LINUX as operating system while BIPS developed and maintained the data of the HT consumers in Visual Basic and data of the LT consumers in FOXPRO.

As on 31 March 2008, the Company had 21,61,861 consumers comprising of domestic, non-domestic, agricultural and industrial consumers. During 2007-08, the total revenue realised by the Company from all categories of the consumers was Rs. 2,569.37 crore as given in the **Annexure-9**.

Scope and methodology of audit

2.2.2 The entire billing system pertaining to HT and LT consumers of the Company was reviewed by the Audit during the period from February to August 2009. The data as maintained by the billing agencies *i.e.* by BIPS and Aditi Computers for the period 2007-08 in respect of all HT consumers and data relating to LT consumers of two circles[#] was analysed using Interactive Data Extraction and Analysis (IDEA), a Computer Assisted Audit Technique (CAAT) . However, the payment details of LT consumers of Jhunjhunu circle could not be reviewed as the same were not made available to audit.

Audit methodologies comprising issue of questionnaire and Management's response/clarification there upon, scrutiny and verification of manual records, collection of data and analysis thereof with the help of CAAT, issue of preliminary audit observations to the management for response with a view to firming up the audit conclusion, discussion and interaction with the officers of the Company and billing agencies were adopted. The Government replied (August 2009) to the audit observation relating to HT billing system and the response in respect of LT billing was yet to be received (September 2009).

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* Ajmer, Bhilwara, Nagaur, Udaipur, Rajsamand, Chittorgarh, Banswara, Jhunjhunu and Sikar.

** Ajmer, Bhilwara, Nagaur, Udaipur, Rajsamand, Chittorgarh and Banswara

\# Ajmer Circle (billing agency - BIPS) and Jhunjhunu Circle (billing agency- Aditi Computers)

Audit objectives

2.2.3 Information Technology (IT) audit of computerisation of revenue billing of the Company was carried out to evaluate the adequacy and effectiveness of IT policy of the Company, mapping of business rules, completeness and correctness of the data and achievement of overall objectives of the Company.

Audit criteria

2.2.4 IT audit of computerisation of revenue billing of the Company was assessed against the following parameters:

- Tariff for supply of electricity-2004, Terms and Conditions of Supply (TCOS)-2004, Rules, notifications and directions issued by the Commission;
- Orders and circulars issued by Commercial wing of the Company; and
- Best practices pertaining to IT Systems.

Audit findings

Audit findings based on review of the IT System are as under:

Organizational set up

2.2.5 The Chief Engineer (Commercial) of the Company had the overall responsibility for monitoring the Billing system, while Superintending Engineers (SEs) of the Circle offices were responsible for their respective circles. It was, however, noticed that the Company did not have separate mechanism for co-ordinating and monitoring IT Applications as well as for liaisoning with the billing agencies which led to various deficiencies as detailed below.

General Controls

IT policy

2.2.6 A formulated and documented IT policy is essential to assess the time frame, key performance indicators and cost benefit analysis for developing and integration of various systems. The Company, however, is yet to formulate a formal IT policy. Further, the Company did not constitute a planning/steering committee with clear roles and responsibilities to monitor each functional area in a systematic manner.

The Government stated (August 2009) that the newly posted SE (IT) has been asked to formulate IT policy and to monitor each functional area in a systematic manner.

Business continuity and disaster recovery plan

2.2.7 The billing system is a critical system as it has a direct impact on the revenue realisation of the Company. If there is any untoward incident or disaster and the consumer's bills are not generated in time or done incorrectly, earnings of the Company may be substantially affected and also can cause lot of inconvenience to the consumers. It is, therefore, essential for the entity to have a documented disaster recovery and business continuity plan to be implemented such that information processing capability can be resumed at the earliest in case of any disaster. It was observed that

- There was no designated mechanism in the Company for the business continuity and disaster recovery and there was no documented business continuity plan either.

- There was no offsite storage of backups.

- Retrieval of data from backup had not been tested.

- The backup file of HT consumer database for the year 2006-07 could not be made available to Audit by the Company.

The Government stated (August 2009) that the newly posted SE (IT) will formulate the business continuity and disaster recovery plan also. It further stated that the back up of data of previous years would be obtained.

System Design Deficiencies

Capture of Permanent Account Numbers (PAN)

2.2.8 The Company was required to deduct the tax at source (TDS) on interest paid exceeding certain amount on security deposit of a consumer and PAN of HT consumers were required to be mentioned while filing TDS return with the Income Tax Department. It was noticed that the system did not have provision for entering PAN of consumer and TDS certificates were issued manually.

The Government assured (August 2009) to take corrective action from the billing month of September 2009 onwards.

Power factor incentive/surcharge

2.2.9 As per provisions of tariff-2004, an incentive/surcharge is to be given/charged for improvement/fall in power factor as the case may be. Instead of ascertaining the power factor separately in case of a consumer having an HT connection and using the power for domestic, non-domestic or for mixed load category, the power factor at the main HT Meter was considered and incentive was allowed even when the power factor of these consumers in domestic, non-domestic or mixed load connection was found to be less than 0.95 (95 *per cent*). Further, in case the individual power factor falls below 0.90, a surcharge at one *per cent* fall in power factor below 0.90 was also not charged. The excess incentive allowed or short levy of surcharge has been tabulated below:

(Rs. in lakh)

Category	No. of cases	Excess Incentive	No. of cases	Short levy of Surcharge
Domestic	12-18	15.71	2-6	3.65
Non-domestic	4-5	2.57	1	0.87
Mix load	5-7	2.26	1	2.76
Total		**20.54**		**7.28**

Thus, the Company allowed irregular incentive amounting to Rs. 20.54 lakh and also did not levy surcharge of Rs. 7.28 lakh.

The Government stated (August 2009) that cases pointed out would be reviewed.

Adjustment of excess/short billing

2.2.10 As per the agreements with billing agency, the adjustment of excess/short billing of earlier month through debits/credits was to be accounted for both in terms of units of energy as well as in amounts. Scrutiny of LT database of Jhunjhunu circle, however, revealed that the Aditi Computers had the provision to indicate the adjustment of debits/credits in respect of amounts alone. Due to absence of provision in terms of units of energy, the figures of energy sold shown in the MIS and financial statements of the Company were incorrect to that extent.

Mapping of business rules

Compliance of Commissions' directions

2.2.11 The Commission issued (May 2004) instructions to calculate the power factor separately for the broken periods where the contract demand/connected load of a HT consumer was changed during the month.

Scrutiny of data for the month of April and May 2007, revealed that due to non-mapping the Commission's instruction, separate power factor was not calculated in case of 12 consumers* though their contract demand changed

* ID number 170, 216, 243, 271,358, 404, 444, 1426, 1437, 1453, 1501 and 1535.

during the month. Consequently, the power factor incentive/surcharge was allowed/levied for the complete month. In absence of the dates on which the contracts demand/connected load was changed, impact of power factor incentive/surcharge could not be ascertained.

The Government stated (August 2009) that the power factor was calculated on the basis of provisions of TCOS. However, it is reiterated that Commission's instruction in this regard need to be followed by the Company.

Voltage Rebate

2.2.12 As per the tariff, a voltage rebate at the rate of 0.75 or 1 *per cent* (as amended from 1 October 2007) was to be allowed to HT consumers on the billed amount for the month if the supply is at 33 KV. The Company withdrew (August 2007) this rebate where the supply was given to such consumers whose contract demand was less than 1500 KVA. Audit noticed that these changes were not mapped in the system. As a result, the system allowed voltage rebate of Rs. 18.77 lakh during the period from August 2007 to March 2008 to such consumers also whose contract demand was less than 1500 KVA.

The Government stated (August 2009) that such rebate was withdrawn for new consumers only. However, the fact remained that this rebate was withdrawn for existing consumers also.

Computation of fixed charges

2.2.13 Tariff -2004 provides for collection of 'Fixed Charges' in respect of domestic services (LT) on the basis of average monthly consumption of previous financial year at the rate of Rs. 80 per month upto 50 units and Rs. 105 per month above 50 units. However, scrutiny of data revealed that due to non mapping of such rules in the system, the average consumption and fixed charges were manually fed and the fixed charges in respect of 2,708 and 1,808 consumers of Ajmer and Jhunjhunu circle respectively were charged more than the prescribed tariff.

Rebate for LT consumers

2.2.14 (a) Clause 30(2) of TCOS-2004 stipulates that in case a stopped/defective meter is not replaced within a period of two months of its detection, a rebate of five *per cent* on the total bill of the LT consumer shall be allowed from third monthly bill in case of monthly/fortnightly billing and second bill in case of bi-monthly billing after such detection till the meter is replaced.

Scrutiny of billing data of Jhunjhunu circle revealed that 603 LT consumers were billed on average basis during 2007-08 indicating that the meters were defective during the period. The admissible rebate of Rs. 3.88 lakh at the rate of five *per cent* was, however, not allowed to these consumers.

2.2.14 (b) Tariff -2004 provides for a rebate of 5 paisa per unit in the "Energy Charges" for usage of "Solar Water Heating System". Scrutiny of data, however, revealed that this rule was not mapped in the system and as a result, the rebate was not given to 399 consumers using "Solar Water Heating System".

Short recovery of fixed voltage charges

2.2.15 As per Tariff -2004, fixed charges for HT consumers at the rate of Rs. 90 per KVA per month of billing demand *i.e.* the maximum demand actually recorded in KVA during the month or 75 *per cent* of contract demand, whichever was higher, were to be recovered.

Audit, however, noticed that in the absence of mapping of such rules in the system, wherever the reading of energy consumption was recorded twice in a month due to change in meter/Current Transformer Potential Transformer (CTPT) or change in contract demand, the fixed charges were levied on average demand. Thus, the fixed charges worked out by the system were short recovered by Rs. 9.82 lakh in 9 to 24 cases during 2007-08.

Application controls

Input controls and Validation checks

2.2.16 To ensure correctness, completeness and reliability of the database, it is necessary to ensure appropriate input control and data validation during the data entry. This would help in reduction in duplication of efforts and redundancy. The following deficiencies were noticed in audit in this regard.

Input Controls

Completeness of database

2.2.17 The system did not have adequate input controls to ensure complete data capture. Analysis of HT/LT database revealed that the database was incomplete as vital details, were left blank as detailed below:

HT billing system

- date of connection (168 cases)/disconnection (96 cases), date of agreement (736 cases), sanctioned load (1,361 cases), connected load (1,380 cases), reference to security deposit (134 cases), date on which the security amount deposited (355 cases), industrial code (267 cases) and area code (246 cases) were found blank.

LT billing system

- meter number (551 cases), sanctioned load (170 cases)/connected load (172 cases), bill number (15,113 cases), username involved in generation of bill (15,113 cases), periodicity of outstanding dues (7,769 cases) were not indicated.

Status of defective meters

2.2.18 As per clause 27 of TCOS in case of non-functioning of meter, the bills of energy consumption are to be prepared on average basis. Analysis of data of HT consumers revealed that in many cases though the consumption of a consumer in different months continuously remained same yet the system did not indicate any alert about non-functioning of the meters as the field indicating status of meter was found blank. It was further noticed that in such cases the assessment was made manually instead of through system.

The Government stated (August 2009) that instructions have now been issued to the billing agencies to indicate the status of the meters.

Observance of provisions of TCOS

2.2.19 Clause 27 of the TCOS provided that if the meter installed at the LT consumer's premises is stopped/lost/stolen/burnt, the consumption of electricity for this period shall be assessed on the basis of consumption of the corresponding period of the previous year or the average monthly consumption of the previous six months, whichever is higher. Audit, however, noticed that adequate input controls were not in-built in the system. As a result of it, the following discrepancies were noticed:

- in Jhunjhunu circle, the consumption details for the corresponding period of the previous year had been shown as 'nil' in respect of 11,351 consumers in April 2007;

- database depicted negative consumption of previous corresponding period in respect of 249 consumers;

- in Ajmer and Jhunjhunu circle, average monthly consumption of the previous six months in the database was also shown as 'nil' in 3,538 and 11,952 cases respectively.

As a result, the data could not be utilised for billing during the period of non-functioning of the meter and the same were assessed manually.

Duplicate meter numbers

2.2.20 Each energy meter installed at the premises of the consumers has a unique serial number. The system, however, accepted the same meter numbers for different consumers. Data analysis revealed 58 and 251 duplicate serial numbers of energy meters in case of HT and LT consumers respectively.

The Government assured (August 2009) to take corrective action.

Rebate for domestic connections in rural areas

2.2.21 Tariff -2004 provides for a rebate of 10 *per cent* of energy charges for domestic connections (LT) in rural areas only. This rebate was, however, not to be allowed in such villages where round the clock supply of electricity was being provided. Such villages were identified in the system with the tariff code '1500'. As per the management information system (MIS) of the Company, out of total 1,025 villages under Ajmer circle, 949 villages have been electrified upto March 2008 and round the clock supply of electricity was provided in these villages.

Scrutiny of database, however, revealed that

- status of 444 such villages have not been updated in the system and therefore the rebate was allowed to domestic connections which were not eligible for this rebate,

- in the absence of provision in the system, the rebate of 10 *per cent* was directly reduced from the tariff/energy charges instead of showing it separately,

- in the absence of necessary validation checks, the system indicated tariff code '1500' in case of urban connections also.

Security Deposit from HT consumers

2.2.22 As per TCOS provisions, the Company assessed the requirement of security deposit from a consumer at the beginning of each financial year on the basis of actual average consumption for the preceding twelve months to cover the risk towards the Company's dues. In case the security deposit given by a consumer is found insufficient or in excess, the difference so worked out shall be adjusted accordingly. Audit noticed that security deposit amount shown in the system was not reconciled with the records compiled by the Commercial Section and there was a difference of Rs. 3.20 crore as on March 2008. The differences were due to non-communicating the data relating to recovery or refund of security deposit to service provider on regular and timely basis for data entry. The differences in amounts of security deposit of individual consumers noticed during test check are given in **Annexure-10.**

The Government assured (August 2009) to take corrective action to update the security deposit records.

Validation checks

Disparity between agreement date and connection date

2.2.23 An agreement is required to be executed by the consumer before release of HT connection. Audit noticed that the system did not have a check to validate the date of agreement with reference to date of release of connection. As a result, in 33 cases the database displayed agreement date subsequent to the date of release of connection.

The Government stated (August 2009) that necessary instructions will be issued to the service providers.

Multiplication factor

2.2.24 For computation of consumption, the units recorded in the KWH meters are being multiplied by the Multiplication Factor (MF) having numerator and denominator as indicated on the Current Transformer Potential Transformer (CTPT) installed at the consumers' premises. Audit, however, noticed that in case of HT consumers, the system did not validate the denominator while calculating the consumption as in some cases though the MF denominator indicated zero value yet it calculated the consumption and generated the bills indicating manual intervention. Thus, the system was deficient to this extent. Besides above, the system also did not have the provision to indicate the CTPT numbers installed at the consumers' premises, in absence of which the system was not able to validate the change in MF in case the CTPT installed at consumers' premises was replaced.

The Government assured (August 2009) to take corrective action.

Discrepancies in serial numbers and date of generation of bills

2.2.25 The system was deficient and also lacked validation checks. Audit while analysing HT consumers' data, noticed that:

- the serial numbers of electricity bills were not being given by default and therefore the bills generated on subsequent dates have the serial numbers prior to bills which had already been generated on an earlier date;

- bill issue date and the bill generation date were not validated in the system. Instances were noticed wherein the bill generation date *i.e.* the date of printing of the bill was subsequent to the date of bill issue. Such discrepancies in the system may lead to consumer grievances and legal disputes.

The Government assured (August 2009) to issue necessary directions to the service providers.

Manual intervention in generation and issue of bills

2.2.26 As per the work order, BIPS was required to generate bills on the very same date on which the inputs were provided to them. In case of HT consumer, the reading of the electricity consumed was being recorded on first date of the month and the bills were to be realised within 12 days of issue. Audit, however, noticed the following discrepancies:

- even after allowing six days grace period for generation and distribution of bills, most of bills were realised from twentieth to last day of the month resulting in delay of 2 to 12 days;

- delay in generation and issue of bills for 2 to 12 days consequently delayed the realization of revenue to the tune of Rs. 351.66 crore[*] during 2007-08 affecting already strained financial position of the Company;

- manual intervention in checking of all the bills defeated the very purpose of using IT facilities.

Despite improvements in IT facilities and infrastructure and also availability of trivector meters capable of taking readings directly from meters through hand held devices and transferring input data directly to the service provider, the Company did not initiate action to reduce the revenue realisation cycle. The delay in generation and distribution of bills could not be assessed by Audit in absence of records of time taken in the each activity of processing of bills.

Compliance of provisions of contract

Terms and conditions of the work order

2.2.27 The service providers were required to submit deliverables such as:

- flow chart of programme and source code before commencement of work;

- getting the HT billing data insured for safety of data;

- enabling the billing software web/net enabled for viewing of consumer wise billing status/outstanding/securities and other consumer related information;

- providing requisite operational and other training to the personnel nominated by the Company.

It was noticed that both the service providers failed to comply with the requisite provisions of the contractual agreement as mentioned above.

The Government replied (August 2009) that the matter is being taken up with the service providers.

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* Revenue after 18th day of the respective months.

Utilisation of system

2.2.28 The system was also designed to provide details of outstanding against various consumers, adjustment of security deposits in case of Permanent Disconnected Consumers (PDCs) and to take effective measure on MIS being generated through it.

Scrutiny of database of 1,385 HT consumers revealed that Rs. 15.90 crore was outstanding against 197 PDCs as on March 2008, comprising of Board Dues (BD) of Rs. 13.56 crore, Electricity Duty (ED) of Rs. 0.41 crore and Late Payment Surcharge (LPS) of Rs. 1.93 crore. Among these, Rs.14.55 crore (154 consumers) were outstanding for more than three years.

Audit further noticed that the outstanding dues of Rs. 48.48 lakh consisting of BD (Rs. 44.20 lakh), ED (Rs. 3.22 lakh) and LPS (Rs. 1.06 lakh) were not shown adjusted from the available security deposit (Rs. 80.08 lakh) of 27 PDCs disconnected during the period between July 2004 and March 2007. No periodical reconciliation of regular dues between the figures shown in the database of system and accounting records was done to ascertain the effectiveness of system and reliability of information.

The Government stated (August 2009) that action has been initiated to adjust the dues of the consumers in order of priority and steps are being taken to recover the dues from PDCs under relevant Act.

Internal Control

2.2.29 The activity of billing system comprising of processing and generation of bills for HT/LT consumers was very important as the timely assessment, billing and realization of revenue is critical for survival for the Company and can be considered as backbone system of the Company. This mission critical activity has been outsourced. The Company was expected to exercise prudent controls over the outsourcing activity as well as on outsourced agency to which this activity was assigned. It was noticed that:

- the Company has never checked the activities of the billing system, infrastructure of service provider, adequacy and security of infrastructure;

- the competency of staff deployed for data entry by billing agencies was never verified by the Company. This may lead to a risk of copying/manipulation/deleting the critical data of the Company;

- monitoring of access controls employed by the billing agencies has never been done to protect the database and to avoid any miscreant activity;

- the Company did not have any system to review the correctness of mapping of tariff/business rules in the system and to ensure the reliability of outsourced billing system.

Thus, the internal control in respect of IT application was non-existent. The Company also could not address the associated risks of outsourced billing system.

Conclusion

The Company does not have an IT policy or a business continuity plan. The design deficiencies and inadequate input controls resulted in allowance of inadmissible incentives. The outputs generated by the system were not reconciled with financial statements of the Company. The Company could not improve the reliability of system by including outsourced billing system under the scope of internal control/audit to ensure its reliability and effectiveness. Despite strained fund position, the Company could not reduce duplication of efforts and reduce the cycle of revenue collection period. Thus, the Company could not leverage the use of technology to its maximum potential. The Company assured to take effective steps in this direction to improve the system.

Recommendations

The Company should:

- **formulate and implement a clear and comprehensive IT policy and periodically review it in view of changing scenario;**

- **conduct periodical reconciliation of system data and financial statements;**

- **build in input controls and validation checks into the system to prevent duplicate entries and to ensure complete and correct data entries; and**

- **cover the outsourced IT application under the scope of internal control/audit to enhance the reliability and effectiveness of billing system.**

Chapter III

3. Performance audit relating to Statutory Corporation

Rajasthan State Road Transport Corporation

Performance Audit on the Functioning of Rajasthan State Road Transport Corporation

Executive summary

The Rajasthan State Road Transport Corporation (Corporation) provides public transport in the State through its 48 depots. The Corporation had fleet strength of 4,875 buses as on 31 March 2009 and carried an average of 10.62 lakh passengers per day. It accounted for a share of 17.31 per cent in public transport with rest coming from private operators. The performance audit of the Corporation for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Corporation.

Finances and Performance

The Corporation suffered a loss of Rs. 88.16 crore in 2008-09 without considering prior period adjustments. Its accumulated losses and borrowings stood at Rs. 602.51 crore and Rs. 210.24 crore as at 31 March 2009, respectively. The Corporation earned Rs. 18.01 per kilometre and expended Rs. 19.47 per kilometre in 2008-09. Audit noticed that with a right kind of policy measures and better management of its affairs, it is possible to increase revenue and reduce costs, so as to earn profit and serve its cause better.

Declining Share

Of 19,268 buses licensed for public transport in 2008-09, about 25.30 per cent belonged to the Corporation. The percentage share declined marginally from 25.85 per cent in 2004-05. However, since the load factor (percentage of passengers carried to seating capacity) of buses of private operators was higher, the percentage of the Corporation in public transport was estimated at 17.31 per cent in 2008-09 which declined from 18.27 per cent in 2004-05. The decline in share was mainly due to its operational inefficiency (leading to non-availability of adequate funds to replace/add new buses) and lack of support from the State Government. Nonetheless, vehicle density (including private operators buses) per one lakh population increased marginally from 28.75 in 2004-05 to 28.89 in 2008-09 indicating stability in the level of public transport in the State.

Vehicle profile and utilisation

Corporation's buses consisted of own fleet of 4,680 buses and 195 hired buses. Of its own fleet, 514 (10.98 per cent) were overage, i.e., more than eight years old. The percentage of overage buses declined from 19.70 per cent in 2004-05 due to acquisition of 2,044 new buses during 2004-09 at a cost of Rs. 236.09 crore. The acquisition was primarily funded through net addition of loans (Rs. 61.71 crore) and deferment of payment of current liabilities.

Corporation's fleet utilisation at 93.48 per cent in 2008-09 was above All India Average (AIA) of 92 per cent. Its vehicle productivity at 388 kilometres per day per bus was above the AIA of 313 kilometres. Similarly, its load factor at 71.83 per cent, remained above the AIA of 63 per cent. However, the Corporation could not achieve its own targets of vehicle productivity and load factor though the same were fixed after taking into consideration the local factors and constraints. Though, the Corporation did well on operational parameters, its 87 per cent schedules of buses were unprofitable due to high cost of operations and non-reimbursement of full cost of free/concessional passes by the Government. Corporation's performance on preventive maintenance was poor with only about 42-43 per cent maintenance done on time.

Economy in operations

Manpower and fuel constitute 75.69 per cent of total cost. Interest, depreciation and taxes account for 14.05 per cent and are not controllable in the short term. Thus, the expenditure control has to come from manpower and fuel. The Corporation succeeded in reducing the manpower per bus from 5.21 in 2004-05 to 4.70 in 2008-09. However, the expenditure on repairs and maintenance was Rs. 97.39 crore (Rs. 2.08 lakh per bus) in 2008-09, of which nearly 89 per cent was on manpower. The Corporation did not attain its own fuel consumption targets resulting in excess consumption of fuel valued at Rs. 30.42 crore during 2004-09.

The Corporation has just 195 hired buses where bus owners provide buses with drivers and incur all expenses. The Corporation provides conductors and makes payment as per kilometres operated. The Corporation earned a net profit of Rs. 3.53 crore from hired buses. As this arrangement has the potential to cut down the cost substantially, the Corporation needs to explore possibility to replace overage buses by hired buses in future.

Revenue Maximisation

Corporation's staff at depot and Head office conduct enroute checking of buses. The ticket less travel reported by Headquarters staff was much higher than that reported by depot level staff. This is one area for the Corporation to plug leakage of revenue. The Corporation also incurred a loss of Rs. 31.60 crore during 2004-09 due to non-reimbursement of free/concessional passes by the Government. Further, the Corporation has about 16 lakh square metres of land. As it mainly utilises ground floor/land for its operations, the space above can be developed on public private partnership basis to earn steady income which can be used to cross-subsidise its operations. The Corporation has not framed any policy in this regard.

Need for a regulator

The fare per kilometre stood at 52 paise from 28 June 2008. Though the Government approves the fare increase, there is no scientific basis for its calculation. The Corporation has also not formed norms for providing services on uneconomical schedules. Thus, it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address grievances of commuters.

Inadequate monitoring

The fixation of targets for various operational parameters and an effective Management Information System (MIS) for obtaining feed back on achievement thereof are essential for monitoring by the top management. The monitoring by the Board of Directors fell short as it did not take/recommend suitable measures to control the cost and increase the revenue.

Conclusion and Recommendations

Though the Corporation is incurring losses, it is mainly due to its high cost of operations and negligible reliance on hired buses and not due to low fare structure. The Corporation can control the losses by resorting to hiring of buses and tapping non-conventional sources of revenue. This review contains seven recommendations to improve the Corporation's performance. Hiring of buses, creating a regulator to regulate fares and services and tapping non-conventional sources of revenue by undertaking PPP projects are some of these recommendations.

Introduction

3.1.1 In Rajasthan, the public road transport is primarily provided by the Rajasthan State Road Transport Corporation (Corporation), which is mandated to provide an efficient, adequate, economical and properly co-ordinated road transport. The State also allows the private operators to provide public transport. The State has reserved certain routes exclusively for the Corporation while other routes are served by the private operators only. There are also some routes where both the Corporation and private operators provide the services. The fare structure is controlled and approved by the Government. This structure is same for both the Corporation as well as the private operators.

3.1.2 The Corporation was incorporated on 1 October 1964 by the Government of Rajasthan under Section 3 of the Road Transport Corporations Act, 1950 and is under administrative control of the Transport Department of Government of Rajasthan. The management of the Corporation is vested with a Board of Directors comprising Chairman, Managing Director and Directors appointed by the Government of Rajasthan. The day-to-day operations are carried out by the Managing Director, who is the Chief Executive of the Corporation, with the assistance of Executive Directors, Financial Advisor, General Managers, Chief Production Managers and Chief Managers. The Corporation has 48 Depots, three Central Workshops and a tyre retreading plant. The bus body building is carried out through external agencies.

3.1.3 The Corporation had a fleet strength of 4,875 buses as on 31 March 2009 including 195 hired buses. The Corporation carried an average of 10.62 lakh passengers per day during 2004-05 to 2008-09. The Corporation’s share in the passenger transport operations in the State during 2008-09 was 17 *per cent* and the remaining 83 *per cent* was accounted for by private operators. The turnover of the Corporation was Rs. 1,082 crore in 2008-09, which was equal to 0.56 *per cent* of the State Gross Domestic Product. The Corporation employed 20,615 employees as at 31 March 2009.

3.1.4 A performance review on "Planning, fabrication and operation of buses by the Corporation" was included in the Report of the Comptroller and Auditor General of India for the year 2005-06 (Commercial), Government of Rajasthan. The report was discussed by the COPU in May 2008, recommendations thereto are awaited.

Scope of Audit and Audit Methodology

3.2.1 The present review conducted during February to June 2009 covers the performance of the Corporation during the period from 2004-05 to 2008-09. The review mainly deals with operational efficiency, financial management, fare policy, fulfillment of social obligations and monitoring by top management of the Corporation. The audit examination involved scrutiny of records at the Head Office including Central Store and Tyre Plant, One

Central Workshop** and 12 selected depots[∞] out of 48 depots. The selection of depots and workshop was made by using "Monetory-Unit Sampling Method" on the basis of their operating income in 2006-07. The selected sample had two[♣] profit earning depots, 10 loss making depots; one[♥] city serving depot. Operating income of the selected depots constituted 30 *per cent* of the total operating revenue of the Corporation.

3.2.2 The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records at Head Office and selected units, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, and issue of draft review to the Management for comments.

Audit Objectives

3.3 The objectives of the performance audit were to assess:

3.3.1 Operational Performance

- the extent to which the Corporation was able to keep pace with the growing demand for public transport;
- whether the Corporation succeeded in recovering the cost of operations;
- the extent to which the Corporation was running its operations efficiently;
- whether adequate maintenance was undertaken to keep the vehicles roadworthy; and
- the extent to which economy was ensured in cost of operations.

3.3.2 Financial Management

- whether the Corporation was able to meet its commitments and recover its dues efficiently; and
- the possibility of realigning the business model of the Corporation to tap non-conventional sources of revenue and adopting innovative methods of accessing such funds.

** Central Workshop Ajmer.

∞ Abu Road, Barmer, Bharatpur, Bikaner, Deluxe depot, Dholpur, Ganganagar, Hindaun, Jalore, Jodhpur, Sikar and Vidhyadharnagar.

♣ Deluxe depot and Jalore

♥ Vidhyadharnagar

3.3.3 Fare Policy and Fulfillment of Social Obligations

- the existence and adequacy of fare policy; and
- whether the Corporation operated adequately on uneconomical routes.

3.3.4 Monitoring by Top Management

- whether the monitoring by Corporation's top management was effective.

Audit Criteria

3.4.1 The audit criteria adopted for assessing the achievement of the audit objectives were:

- all India averages as well as best performance on various performance parameters;
- performance standards and operational norms fixed by the Association of State Road Transport Undertakings (ASRTU);
- physical and financial targets/norms fixed by the Management;
- manufacturers' specifications, norms for life of a bus, preventive maintenance schedule, fuel efficiency norms, *etc.*;
- instructions of the Government of India (GOI) and Government of Rajasthan and other relevant rules and regulations; and
- procedures laid down by the Corporation.

Financial Position and Working Results

3.5.1 The financial position of the Corporation for the five years upto 2008-09 is given below.

(Rs. in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
A. Liabilities					
Paid up Capital	220.06	220.06	220.06	220.06	220.06
Reserve & Surplus (including Capital Grants but excluding Depreciation Reserve)	4.82	4.89	4.99	5.03	5.11
Borrowings (Loan Funds)	148.53	173.44	163.67	149.21	210.24
Current Liabilities & Provisions	257.26	295.45	301.26	299.86	487.34
Total	**630.67**	**693.84**	**689.98**	**674.16**	**922.75**
B. Assets					
Gross Block	438.28	472.23	492.51	480.92	586.93
Less: Depreciation	229.64	241.82	267.89	285.65	310.01
Net Fixed Assets	208.64	230.41	224.62	195.27	276.92
Capital works-in-progress (including cost of chassis)	1.50	1.49	1.23	0.17	0.02
Investments	0.14	0.32	6.55	0.49	0.48
Current Assets, Loans and Advances	74.90	86.06	62.88	59.95	42.82
Accumulated losses	345.49	375.56	394.70	418.28	602.51
Total	**630.67**	**693.84**	**689.98**	**674.16**	**922.75**

The actual accumulated losses were higher than Rs. 602.51 crore shown as on 31 March 2009 as the same were worked out without considering adequate provision in respect of claims of ‘Motor Accident Claims Tribunal’ of Rs. 167.61 crore as on 31 March 2008, as well as pension liability for which actuarial valuation was not done. Accumulated losses were financed by increasing current liabilities and provisions.

The Government stated (October 2009) that due to implementation of recommendations of Fifth and Sixth Pay Commissions and increase in expenditure on diesel, the accumulated losses increased. Audit, however, noticed that in addition to above reasons, the losses also increased due to various inefficiencies as discussed in paragraphs 3.12.9, 3.15.2, 3.18.2, 3.19.6 and 3.19.8.

3.5.2 The details of working results like operating revenue and expenditure, total revenue and expenditure, net surplus/loss and earnings and cost per

Kilometre of operation are given below.

(Rs. in crore)

Sl.No.	Description	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total Revenue	775.48	876.76	978.50	1,002.27	1,081.89
2.	Operating Revenue[ϕ]	749.87	851.40	944.34	975.08	1,054.65
3.	Total Expenditure	812.97	904.26	996.81	1,025.89	1,170.05
4.	Operating Expenditure[ψ]	798.11	890.46	980.55	1,008.54	1,149.97
5.	Operating Profit/Loss	(-)48.24	(-)39.06	(-)36.21	(-)33.46	(-)95.32
6.	Profit/Loss for the year	(-)37.49	(-)27.50	(-)18.31	(-)23.62	(-)88.16
6a.	Prior period adjustment	32.86	(-)2.57	(-)0.83	0.04	(-)96.07
6b.	Net Profit/Loss after prior period adjustment	(-)4.63	(-)30.07	(-)19.14	(-)23.58	(-)184.23
7.	Accumulated Loss	345.49	375.56	394.70	418.28	602.51
8.	Fixed Costs					
	(i) Personnel Costs	289.96	308.41	328.24	364.01	470.09
	(ii) Depreciation	43.22	43.88	49.63	33.62	38.28
	(iii) Interest	14.86	13.80	16.26	17.35	20.08
	(iv) Other Fixed Costs	35.98	32.13	34.58	40.08	33.17
	Total Fixed Costs	384.02	398.22	428.71	455.06	561.62
9.	Variable Costs					
	(i) Fuel & Lubricants	256.76	335.09	386.96	379.13	421.53
	(ii) Tyres & Tubes	16.90	19.71	26.09	32.01	28.00
	(iii) Other Items/ spares	20.59	21.81	23.99	30.39	30.16
	(iv) Taxes (MV Tax, Passenger Tax, *etc.*)	97.45	98.36	106.88	103.08	106.02
	(v) Other Variable Costs	37.25	31.07	24.18	26.22	22.72
	Total Variable Costs	428.95	506.04	568.10	570.83	608.43
10.	Effective KMs operated (in lakh)	5573.80	5933.90	6055.48	6015.26	6008.62
11.	Earnings per KM (Rs.) (1/10)	13.91	14.78	16.16	16.66	18.01
12.	Fixed Cost per KM (Rs.) (8/10)	6.89	6.71	7.08	7.56	9.34
13.	Variable Cost per KM (Rs.) (9/10)	7.70	8.53	9.38	9.49	10.13
14.	Cost per KM (Rs.) (3/10)	14.59	15.24	16.46	17.05	19.47
15.	Net Earnings per KM (Rs.) (11-14)	(-)0.68	(-)0.46	(-)0.30	(-)0.39	(-)1.46
16.	Traffic Revenue[§]	730.23	823.44	921.49	950.87	1027.61
17.	Traffic Revenue per KM (Rs.) (16/10)	13.10	13.88	15.22	15.81	17.10
18.	Operating loss per KM (Rs.) (5/10)	0.87	0.66	0.60	0.56	1.59

The loss after prior period adjustment of the Corporation increased due to rising manpower cost without corresponding rise in the productivity of manpower and continuous deterioration in the various operational parameters.

ϕ Operating revenue includes traffic earnings, passes and season tickets, reimbursement against concessional passes, fare realised from private operators under KM Scheme, *etc.*

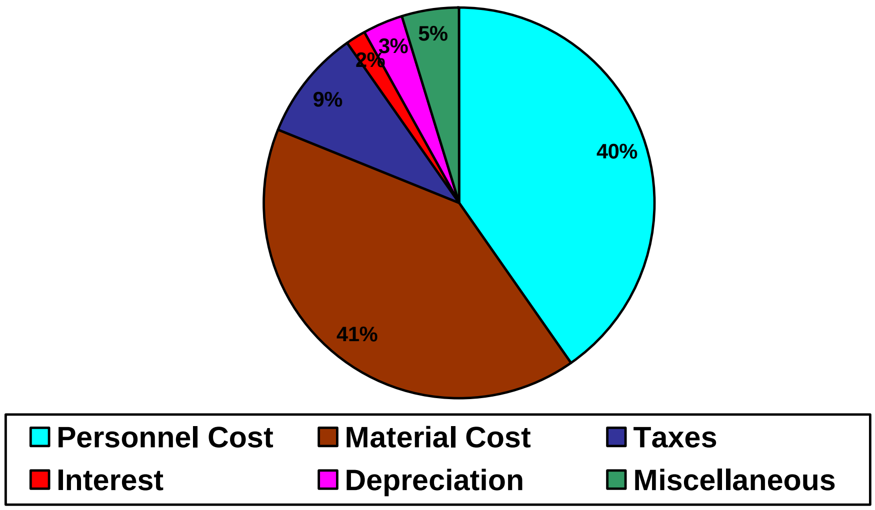
ψ Operating expenditure include expenses relating to traffic, repair and maintenance, electricity, welfare and remuneration, licences and taxes and general administration expenses.

§ Traffic revenue represents sale of tickets including revenue from passes, advance booking, reservation charges and contract services earnings.

Elements of Cost

3.5.3 Personnel costs and material costs constitute the major elements of costs. The percentage break-up of costs for 2008-09 is given below in the pie-chart.

Components of various elements of cost

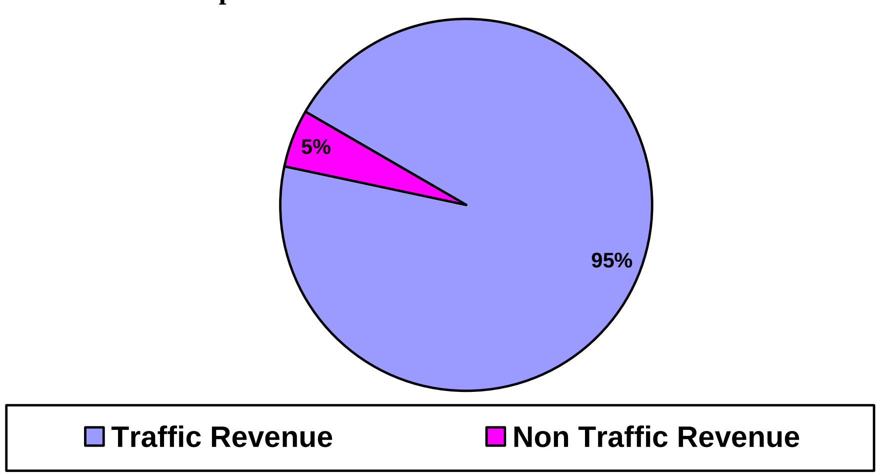


The share of personnel cost and material cost increased from 72 to 81 *per cent* during the review period.

Elements of revenue

3.5.4 Traffic revenue and non-traffic revenue constitute the major elements of revenue. The Corporation did not receive any subsidy/grant during the review period. The percentage break-up of revenue for 2008-09 is given below in the pie-chart.

Components of various elements of revenue



The working results show that the Corporation was not able to recover the cost in all the five years and the losses kept on mounting and were Rs. 602.51 crore at the end of 2008-09.

Audit Findings

3.6 Audit explained the audit objectives for the Performance Audit to the Corporation during an 'entry conference' held on 25 February 2009. Subsequently, audit findings were reported to the Corporation and the State Government in July 2009 and discussed in the exit conference (November 2009), where the State Government was represented by the Deputy Secretary, Transport Department and the Corporation was represented by the Chairman and Managing Director and other officials. The performance audit has been finalized after considering/incorporating the view point of the Government/Corporation. The Management in exit conference stated that internal targets on various performance parameters were ambitious and aggressively set and may not be fully achievable and therefore, performance of the Corporation needs to be appreciated accordingly. However, the fact remains that targets are generally specified benchmarks to evaluate the performance, in addition to other benchmarks. The audit findings are discussed below:

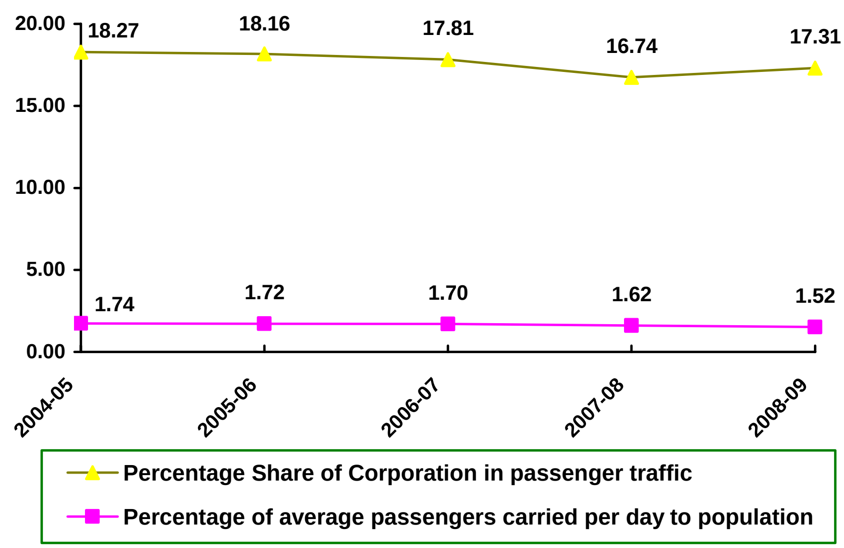
Operational Performance

3.7 The operational performance of the Corporation for the five years ending 2008-09 is given in the **Annexure-11**. The operational performance of the Corporation was evaluated on various operational parameters as described below. It was also seen whether the Corporation was able to maintain pace with the growing demand of public transport and recover the cost of operations. Audit findings in this regard are discussed in the subsequent paragraphs. These audit findings show that the losses were controllable and there is scope for improvement in performance.

Share of Corporation in public transport

3.8.1 The State Government does not have a documented transport policy. However, an ideal transport policy may seek to achieve a balanced modal mix of public transport and to discourage personalized transport. The focus should be on increasing mass transport options by providing adequate, accessible and affordable modes like buses, mini-buses, electric trolley buses complemented by network of rail based mass rapid transit systems like metro and commuter rail. The policy should recognise that even after fully developed rail based Mass Rapid Transit System comes into existence, the bus system will continue to play the role of main mass transport system provider.

3.8.2 The public road transport in the State is provided by the Corporation and private operators. Though the Corporation maintained the data for total passengers carried by it, there was no mechanism in place which provides regular data on total passenger transport in the State. On the basis of best performing State Road Transport Undertakings (SRTUs), the Working Group on Road Transport for the Eleventh Five Year Plan assessed Billion Passenger Kilometre (BPKM)* per private bus at 0.007. Assuming the same parameter and taking into consideration the fitness certificates issued by the Transport Department to private bus operators, BPKM of private buses has been worked out by Audit to arrive at the share of Corporation vis-à-vis private operators. The Line-graphs depicting the percentage share of the Corporation in the passenger traffic of the State by public road transport and percentage of average passengers carried per day by the Corporation to the population of the State during five years ending 2008-09 are given below:



3.8.3 The table below depicts the growth of public transport in the State.

S.No.	Particular	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Corporation's buses including hired buses⊕	4564	4553	4551	4367	4875
2.	Private stage carriages	13091	13417	14035	15440	14393
3.	Total buses for public transport	17655	17970	18586	19807	19268
4.	Percentage share of Corporation	25.85	25.34	24.49	22.05	25.30
5.	Percentage share of private operators	74.15	74.66	75.51	77.95	74.70
6.	Estimated population (crore)	6.14	6.29	6.40	6.53	6.67
7.	Vehicle density per one lakh population	28.75	28.57	29.04	30.33	28.89

A comparison of the share of passenger traffic carried by the Corporation in the line graph given in previous paragraph indicates that the load factor of the buses operated by the Corporation was less than that of private buses.

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* BPKM is worked out on the basis of effective KMs operated multiplied by average seating capacity and load factor.

⊕ Vehicle held as on 31 March every year.

3.8.4 The Corporation has not been able to keep pace with the growing demand for public transport as percentage share of the Corporation in passenger traffic decreased from 18.27 to 17.31 *per cent* during the review period and average passengers carried per day to population also decreased from 1.74 to 1.52 *per cent* during the above period. Despite increase in the number of buses from 4,564 to 4,875 during the review period, the Corporation's share decreased from 25.85 to 25.30 *per cent* of the bus traffic due to lower fleet utilization. Thus, the Corporation failed to provide adequate transport service to the growing population in the State. The effective per capita KM operated per year is given below:

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Effective KM operated (lakh)	5573.80	5933.90	6055.48	6015.26	6008.62
Estimated Population (crore)	6.14	6.29	6.40	6.53	6.67
Per capita KM per year	9.08	9.43	9.46	9.21	9.01

3.8.5 The above table shows the decline in service by the Corporation as the growth in effective KMs operated over review period was less than two *per cent* against the rise of 2.7 *per cent*** per annum in overall passenger traffic during the same period.

3.8.6 Public transport has definite benefits over personalised transport in terms of costs, congestion on roads and environmental impact. The public transport services have to be adequate to derive those benefits. In the instant case, the Corporation was not able to maintain its share in transport mainly due to operational inefficiencies (leading to non-availability of enough funds to replace/add new buses) as described later as well as lack of support from the State Government.

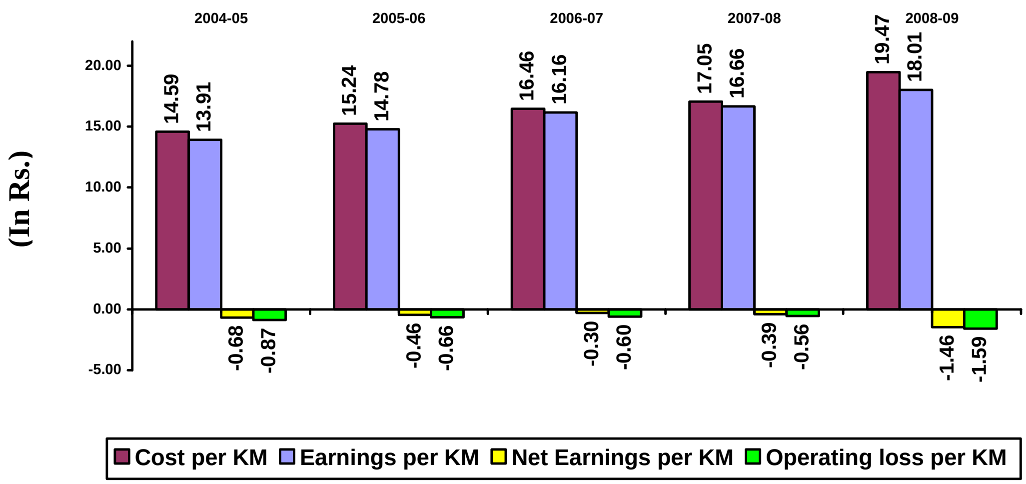
The Management stated (September 2009) that the State Government was consistent in encouraging private transport operators. The State Government while endorsing the Management's reply stated (October 2009) that it has been initiating various projects to improve public transport in the State. Reply is not based on facts since vehicle density remained stagnant with minor fluctuations during review period.

** The percentage of growth of total Billion Passenger kms during 2004-05 to 2008-09 at annual compounding.

Recovery of cost of operations

The operating loss per KM increased from Rs. 0.87 in 2004-05 to Rs. 1.59 in 2008-09.

3.9.1 The Corporation was not able to recover its cost of operations. During the last five years ending 2008-09, the net revenue showed a negative trend as given in the graph⊗ below:



3.9.2 Above graph indicates the poor performance of the Corporation over the period. The Corporation was consistently incurring operating losses over the period as against operating profit per KM of best performers. Though the cost per KM of the Corporation was lower than the All India Average (Rs. 19.94), its revenue was also lower than All India Average (Rs. 18.22). The poor performance has been impacting the ability of the Corporation to provide public transport services adequately as it is not able to replace its fleet on time or increase the fleet strength to meet growing demand.

Orissa, Uttar Pradesh and Karnataka registered best net earnings per KM at Rs. 0.49, Rs. 0.47 and Rs. 0.34 respectively during 2006-07.
(Source: STUs profile and performance 2006-07 by CIRT, Pune)

The Government stated (October 2009) that comparison with best performing states was not reasonable as the conditions were not same in all the states. The reply is not convincing as the State Government should take effective steps for improving performance of the Corporation in the areas as the scope of improvement generally existed as discussed in succeeding paragraphs.

⊗ Cost per KM represents total expenditure divided by effective KM operated.
Revenue per KM is arrived at by dividing total revenue with effective KM operated.
Net Revenue per KM is revenue per KM reduced by cost per KM.
Operating loss per KM would be operating expenditure per KM reduced by operating income per KM.

Efficiency and Economy in operations

Fleet strength and utilisation

Fleet Strength and its Age Profile

3.10.1 The Corporation has its own fleet of buses. It also hires buses from contractors. Audit findings in respect of hired buses are given in paragraphs 3.16.1 and 3.16.2. The paragraph below explains the position of corporation's own fleet.

3.10.2 The Association of State Road Transport Undertakings (ASRTU) had prescribed (September 1997) the desirable age of a bus as eight years or five lakh kilometres, whichever was earlier. The table below shows the age-profile of the buses held by the Corporation for the period of five years ending 2008-09.

S. No.	Particulars[∏]	2004-05	2005-06	2006-07	2007-08	2008-09
1	Total No. of buses at the beginning of the year	4558	4345	4403	4421	4259
2	Additions during the year	246	520	375	0	903
3	Buses scrapped during the year	459	462	357	162	482
4	Buses held at the end of the year (1+2-3)	4345	4403	4421	4259	4680
5	Of (4), No. of buses more than 8 years old	856	879	1000	868	514
6	Percentage of overage buses to total buses	19.70	19.96	22.62	20.38	10.98

3.10.3 The above table shows that the Corporation was not able to achieve the norm of right age buses. During 2004-09, the Corporation added 2,044 new buses at a cost of Rs. 236.09 crore[∅]. Over a period of five years ending 2008-09 the Corporation had taken loan from commercial banks amounting to Rs. 215.78 crore. The remaining amount was funded by deferring the liabilities. To achieve the norm of right age buses at the end of 2008-09, the Corporation is required to additionally buy 514 new buses at a cost of Rs. 62.55 crore[≠] approximately. However, the Corporation did not generate any resources through its operations to finance the replacement of buses as it incurred loss of Rs. 53.02 crore before charging depreciation during 2004-09.

∏ Excludes hired buses.

∅ The cost has been worked out on the basis of average cost of chassis, bus body and seats.

≠ Worked out on the basis of bus cost incurred during 2008-09.

Thus, the Corporation's ability to survive and grow depends on its efforts to remove operational inefficiencies, cut costs and tap non-conventional revenue avenues so that it can fund its capital expenditure and be self-reliant.

The borrowings of the Corporation increased (net) from Rs. 148.53 crore to Rs. 210.24 crore only as a result of repayments made during the review period. Consequently, interest burden also increased from Rs. 14.86 crore to Rs. 20.08 crore during the review period. The percentage of overage buses increased from 19.70 in 2004-05 to 20.38 in 2007-08 but significantly decreased to 10.98 *per cent* in 2008-09 due to purchase of 903 buses. Audit observed that the Corporation was not able to replace the overage buses timely due to constant cash losses over the period resulting in non availability of funds and absence of budgetary support from the State Government.

The Management agreed (September 2009) to the need of reviewing policy of overage buses.

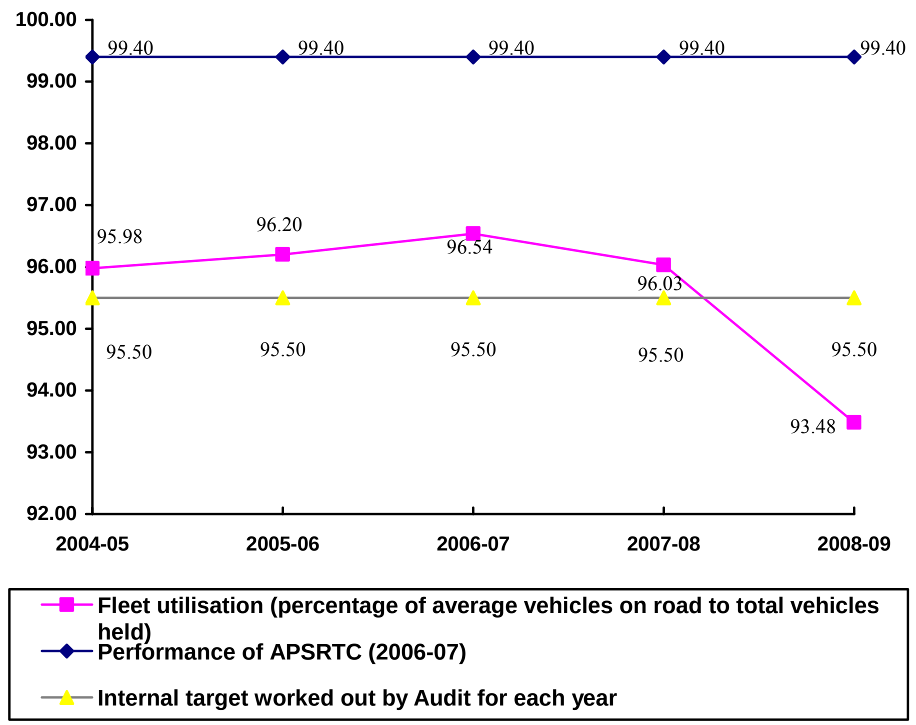
3.10.4 The overage fleet requires high maintenance and results in extra cost and less availability of vehicles compared to right age fleet, other things being equal. This only goes on to increase operational inefficiency and causes losses which, in turn, affects the ability of the Corporation to replace its fleet on a timely basis.

Fleet Utilisation

3.10.5 Fleet utilisation represents the ratio of buses (excluding hired) on road to buses held by the Corporation. The Corporation has not fixed any targets as such for fleet utilization. However, at the time of allotment of buses in depots, considering the schedules, the Corporation makes provisions for spare buses at the rate of 4 to 6 *per cent*. Thereby, the targeted fleet utilization would work out to 94 to 96 *per cent.* The average fleet utilization target as worked out by Audit was 95.50 *per cent* during the review period. Thus, the fleet utilisation of the Corporation was above the target up to 2007-08 though it was below the performance of APSRTC (best performer) of 99.40 *per cent*. However, during 2008-09 the Corporation failed to achieve even its own target. The particulars for the review period are indicated in the

Andhra Pradesh, Tamil Nadu (Kumbakonam) and Tamil Nadu (Coimbatore) registered best fleet utilisation at 99.4, 98.4 and 98.3 *per cent* respectively during 2006-07. (Source: STUs profile and performance 2006-07 by CIRT, Pune)

graph given below.



3.10.6 The percentage of fleet utilisation deteriorated during 2008-09. The main reasons which contributed to this, as analysed by Audit, were as follows:

- The overall rate of breakdowns per ten thousand KMs increased from 0.11 in 2004-05 to 0.13 in 2008-09. In 23 depots it ranged between 0.14 and 0.28 in 2007-08. Due to cancellation of scheduled KMs on account of breakdowns during 2008-09, the Corporation lost the contribution of Rs. 2.54 crore.

- Delay of 1,152 days in putting the 292 buses for repairs at Central Workshop, Ajmer after receipt from depots.

- Delay of 103 days in putting 25 new buses at 12 selected depots (out of 193) on road and,

- 'Out of service buses (421)' were not declared as condemned leading to increase in number of buses held without operation.

3.10.7 Thus, the Corporation was not able to achieve an optimum utilization of its fleet strength in 2008-09, which in turn impacted its operational performance adversely.

The Government stated (October 2009) that the comparison with South Indian states is not reasonable and 99.40 *per cent* vehicle utilisation achieved by some of these Road Transport Corporation is not realistic.

Vehicle productivity

3.11.1 Vehicle productivity refers to the average Kilometres run by each bus (including hired buses) per day in a year. The operated KMs and vehicle productivity were recorded by the Corporation on the basis of schedule KMs as the milometers were not functioning in 863 buses out of 1,176 buses in 12 selected depots of the Corporation. The vehicle productivity of the Corporation vis-à-vis the overage fleet for the five years ending 2008-09 is shown in the table below.

S.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Internal targets	357	382	394	405	397
2.	Vehicle productivity (KMs run per day per bus)	346	370	380	387	388
3.	Overage fleet (percentage)	19.70	19.96	22.62	20.38	10.98

3.11.2 It is evident from the above table that the vehicle productivity of the Corporation improved from 346 KMs to 388 KMs during 2004-05 to 2008-09 due to efforts of the Corporation to increase vehicle productivity through change in schedules. The vehicle productivity of the Corporation was better than the All India Average of 313 KMs per day. However, the Corporation failed to achieve the targets fixed by it in all the five years and was considerably lower than the vehicle productivity of 474 KMs per day of the best performer. Further analysis in Audit revealed that vehicle productivity of 16 to 19 depots was above the targets during the review period. Audit observed that vehicle productivity of seven≈ and six∈ depots during 2007-08 and 2008-09 was in range of 336 to 348 and 332 to 352 respectively. However, no effective measures were taken to improve the vehicle productivity of these depots where ample scope for improvements existed. The lower productivity was mainly on account of increased rate of breakdowns (Paragraph 3.10.6) and cancellation of scheduled KMs (Paragraphs 3.12.8 and 3.12.9).

Tamil Nadu (Villupuram), Tamil Nadu (Salem) and Tamil Nadu (Kumbakonam) registered best vehicle productivity at 474, 469 and 462.8 KMs per day respectively during 2006-07. (Source : STUs profile and performance 2006-07 by CIRT, Pune)

The Government stated (October 2009) that the low productivity was mainly due to number of overage buses, city serving and sub-urban depots which operated shuttle services on short routes and also due to other uncontrollable reasons like road blockades, public agitations *etc*. The reply is not convincing since depots referred to in para do not include city serving depots. Moreover, reply is not supported by any data.

≈ Ajaymeru , Alwar, Baran, Bundi, Dausa, Hindaun and Srimadhopur.

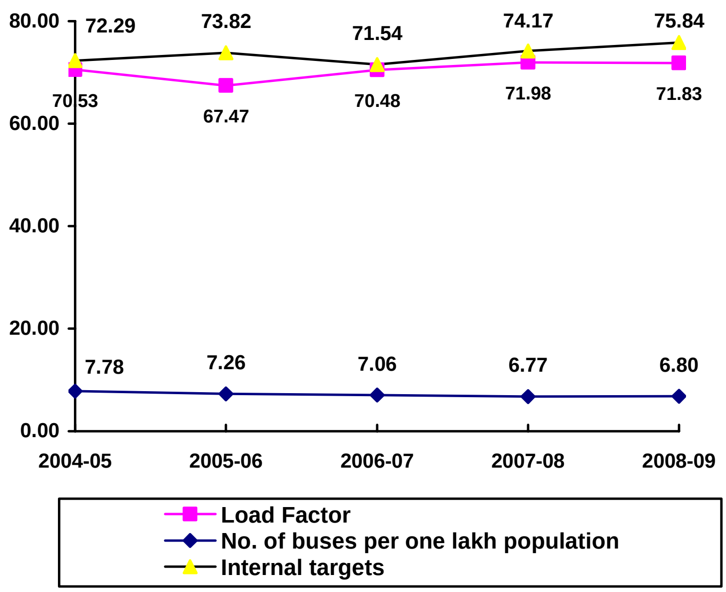
∈ Ajaymeru, Alwar, Baran, Dausa, Hindaun and Vaishali Nagar.

Capacity Utilisation

Load Factor

3.12.1 Capacity utilisation of a transport undertaking is measured in terms of Load Factor, which represents the percentage of passengers carried to seating capacity. The schedules to be operated are to be decided after proper study of routes and periodical reviews are necessary to improve the load factor. The load factor of the Corporation varied from 67.47 to 71.98 *per cent* during the review period. Though it was better than the All India Average of 63 *per cent* yet it was considerably lower as compared to the best performers. The Corporation even failed to achieve its internal targets in all the five years. A graph depicting the load factor *vis-à-vis* number of buses per one lakh population is given below.

State Express Transport Corporation (Tamil Nadu), Tamil Nadu (Coimbtore) and Tamil Nadu (Villupuram) registered best load factor of 85.69, 79.57 and 79.06 *per cent* respectively during 2006-07. (Source : STUs profile and performance 2006-07 by CIRT, Pune)



The load factor of the Corporation was lower than best performers and even failed to achieve its internal targets in all the five years due to ineffective checking system.

It is evident from the above graph that in spite of decrease in number of buses per one lakh population, the load factor of the Corporation did not show significant improvement which indicates diversion of passengers to other modes of transport including other reasons. Ticket less travel reduces the reported load factor and amounts to revenue leakage. An effective control on ticket less travel and leakage of revenue can improve the reported load factor and reduce losses. The Corporation has a system of checking buses en route by the depot level as well as head office level checking staff. It was noticed in audit that the effectiveness of depot level checking was not satisfactory as out of total buses checked, only in 0.63 *per cent* cases of ticket less travel were reported as against 2.11 *per cent* cases reported in checking by head office level staff during the review period. As against deployment of 223 permanent checking staff along with other staff, the total amount of recovery from ticket less passenger/luggage was merely Rs. 9.36 lakh from 19,059 cases (0.94 *per cent* only) out of 20.38 lakh buses checked during five years period indicating extremely low effectiveness of checking system. It was observed that the responsibility for ticket less travels vest with the conductor and not with the passenger and therefore possible collusion between the roadways staff in not conducting the checking or not reporting the cases of ticket less travels can not be ruled out particularly in the checking by the depot level staff.

3.12.2 The table below provides the details for break-even load factor (BELF) for traffic revenue as well as total revenue. Audit worked out this BELF at the given level of vehicle productivity and total cost per KM.

S.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Cost per KM (Rs.)	14.59	15.24	16.46	17.05	19.47
2.	Traffic revenue per KM at 100 *per cent* load factor (Rs.)	18.57	20.57	21.59	21.96	23.81
3.	Break – even load factor considering only traffic revenue (1/2)	78.57	74.09	76.24	77.64	81.77

3.12.3 The break-even load factor is quite high and is not likely to be achieved given the present load factor and the fact that the Corporation is also required to operate uneconomical routes. Thus, there is a need to improve upon the load factor by arresting revenue leakage and cut down costs of operations as explained later.

The Government stated (October 2009) that expansion of rail services in the State, increase in operations by unauthorized vehicles on nationalized routes and non-replacement of overage buses affected the load factor. It further stated that wide area coverage of checking programmes prepared at head office level, its confidentiality and suddenness resulted into higher rate of cases of ticketless travel by head office level checking as compared to depot level checking. The Management, while explaining various constraints including inability to keep pace with technology in checking ticketless travel during exit conference stated that efforts are being made to improve the system.

Route Planning

3.12.4 Appropriate route planning to tap demand leads to higher load factor. However, the Corporation plans and monitors schedule wise profitability instead of routes. The schedules are planned and revised monthly on the basis of feedback received from the depots.

The percentage of uneconomical schedule increased to 87 *per cent* in 2008-09 from 70 *per cent* in 2007-08 contributing to increased Break Even load factor.

3.12.5 Some routes are profitable while others are not. The Corporation did not maintain records to ascertain route wise profitability, however, it ascertained the profitability of schedule* at depot level. Consolidated records showing profitability of all the schedules were not maintained at Corporation level upto 2006-07. Further, the Corporation did not maintain any records for number of schedules not meeting variable cost. The position of profitability of schedules for the year 2007-08 and 2008-09 is given in the table below:

Particulars	Total No. of schedules	No. of schedules making profit	No. of schedules not meeting total cost
2007-08	4131 (100)	1251 (30)	2880 (70)
2008-09	4312 (100)	546 (13)	3766 (87)

Figures in brackets show percentage to total schedules.

3.12.6 Though some of the schedules now appearing unprofitable would become profitable once the Corporation improves its efficiency in all the operational parameters particularly vehicle productivity, load factor apart from fuel cost, manpower, maintenance *etc.*, there would still be some uneconomical schedules. Given the scenario of mixed routes and obligation to serve uneconomical routes, an organisation should decide an optimum quantum of services on different routes so as to optimise its revenue while serving the cause. However, no such exercise was carried out by the Corporation. It can be seen from the table that the percentage of uneconomical schedules increased to 87 *per cent* in 2008-09 from 70 *per cent* in 2007-08. Audit observed that the worsening of the position was mainly due to increase in the manpower cost as discussed in paragraph 3.14.2.

The Government while accepting the facts stated (October 2009) that with a view to minimise the unprofitable schedules, analysis of each schedule of every depot is being done besides pruning uneconomical schedules which are giving income below variable cost. The operations are being so planned that contribution towards fixed cost may be increased substantially.

Cancellation of Scheduled Kilometres

3.12.7 A review of the operations indicated that the scheduled kilometres were not fully operated mainly due to non-availability of adequate number of buses, shortage of crew and other factors like breakdowns, accidents, low income, deployment of buses for other services *etc.*

3.12.8 The scheduled KMs were fixed by the Corporation on monthly basis looking at the availability of buses, vehicle productivity, load factor and public demand. Audit noticed that while planning for scheduled KMs the provision for deployment of buses for special purpose was not made. The details of scheduled KMs, effective KMs operated against scheduled KMs and

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* Daily operation of a bus.

cancelled KMs are furnished in the table below.

(In lakh KMs)

S.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Scheduled kilometres	5725.04	6087.41	6213.00	6256.37	6276.54
2.	Effective kilometres#	5444.62	5757.72	5868.28	5839.51	5812.18
3.	Kilometres cancelled	280.42	329.69	344.72	416.86	464.36
4.	Percentage of cancellation	4.90	5.42	5.55	6.66	7.40
Cause-wise analysis						
5.	Want of buses	51.00	65.96	88.09	106.81	99.92
6.	Want of crew	68.44	54.57	39.57	31.39	46.61
7.	Others	160.98	209.16	217.06	278.66	317.83
8.	Contribution* per KM (in Rs.)	5.40	5.35	5.84	6.32	6.97
9.	Avoidable cancellation (want of buses and crew) (5+6)	119.44	120.53	127.66	138.20	146.53
10.	Loss of contribution (8x9) (Rs. in crore)	6.45	6.45	7.46	8.73	10.21

Due to cancellation of scheduled KMs for want of buses and crew alone, the Corporation was deprived of contribution of Rs. 39.30 crore during the review period.

3.12.9 It can be seen from the above table that the percentage of cancellation of scheduled KMs increased continuously from 4.90 to 7.40 during the review period. The rise of more than 51 *per cent* in cancelled KMs during the review period indicated that the Corporation was not able to control the cancelled KMs which remained on the higher side as compared to the best performers. The increase in the percentage of cancelled KMs for want of buses during the review period was attributed to high percentage of overage buses and failure of the Corporation in carrying out timely preventive maintenance. The lack of proper provision during planning for deployment of buses for special purpose *i.e.* Mela services, contract services *etc.* also contributed to rising cancellation. Due to cancellation of scheduled KMs for want of buses and crew alone, the Corporation was deprived of contribution of Rs. 39.30 crore during the review period.

Tamil Nadu (Salem), State Express Transport Corporation (Tamil Nadu) and Tamil Nadu (Villupuram) registered least cancellation of scheduled KMs at 0.45, 0.67 and 0.78 *per cent* respectively during 2006-07.
(Source: STUs profile and performance 2006-07 by CIRT, Pune)

The Government stated (October 2009) that there was shortage of buses and crew due to non replacement of overage buses in time and ban on recruitment.

Maintenance of vehicles

Preventive Maintenance

3.13.1 Preventive maintenance is essential to keep the buses in good running condition, reduce breakdowns and other mechanical failures. Preventive

Does not include KMs run over and above scheduled KMs.
* Traffic revenue per KM minus variable cost per KM.

maintenance schedules are monitored at depot level. The Corporation has Tata and Leyland make buses, for which two major preventive maintenance schedules have been prescribed as under:

- On completion of 16,000/18,000 KMs for Leyland/Tata buses respectively there should be change of oil, wheel alignment, cleaning of fuel injection pump, engine tuning, brake adjustment *etc.*
- On completion of 40,000 KMs there should be overhauling of engine, spring leaves, wheels, brakes, fuel injection pump, cooling system *etc.* and change of gear oil, body work *etc.*

Schedules of preventive maintenance were not adhered to on more than 56 *per cent* buses.

3.13.2 During scrutiny of maintenance records at selected depots, the information in respect of five depots® was not made available. From the scrutiny of records of remaining depots audit observed that the required preventive maintenance schedules were not being adhered to as shown below:

Year	On completion of 16000/18000 KMs			On completion of 40,000 KMs		
	Total maintenance done	Done on time within (+)/(-) 10 *per cent* KMs	Percentage of maintenance done on time	Total maintenance done	Done on time within (+)/(-) 10 *per cent* KMs	Percentage of maintenance done on time
2004-05	5660	2274	40.18	2384	962	40.35
2005-06	6011	2675	44.50	2544	960	37.74
2006-07	5559	2297	41.32	2597	1060	40.82
2007-08	8064	3549	44.01	3637	1735	47.70
2008-09	7272	3307	45.48	3613	1511	41.82
Total	**32566**	**14102**	**43.30**	**14775**	**6228**	**42.15**

It is evident from the above table that in selected depots, schedules of preventive maintenance were not adhered to on more than 56 *per cent* of buses. It was also noticed that preventive maintenance in respect of 1,812 cases (3.83 *per cent*) was done after completion of approximately 50 *per cent* KMs higher than the schedule KMs. The reasons, as analysed in Audit, were shortage of maintenance staff, lack of oil and spare parts and late availability of buses for maintenance. It was further observed that the Corporation has not maintained the complete records of items of work done at preventive maintenance schedules, in absence thereof the completion of all items prescribed for preventive maintenance could not be verified. Lack of carrying out preventive maintenance in time contributed to increased rate of breakdowns.

The Government stated (October 2009) that shortage of technicians due to Government's ban on recruitment led to delay in carrying out preventive maintenance. The reply is not convincing as the Corporation could have carried out schedule maintenance of buses through outsourcing.

Repairs and Maintenance

3.13.3 A summarised position of fleet holding, over-aged buses, repairs and

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® Barmer, Jalore, Hindaun, Abu Road and Bharatpur.

maintenance (R&M) expenditure for the last five years up to 2008-09 is given below.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total buses (No.)[µ]	4345	4403	4421	4259	4680
2.	Over-age buses (more than 8 years old)	856	879	1000	868	514
3.	Percentage of over-age buses	19.70	19.96	22.62	20.38	10.98
4.	R&M Expenses (Rs. in crore)	61.41	65.10	70.10	76.76	97.39
5.	R&M Expenses per bus (Rs. in lakh) (4/1)	1.41	1.48	1.59	1.80	2.08
6.	Percentage of manpower cost in R&M expenses	87.91	87.62	86.38	86.08	88.89

The share of manpower cost in repair and maintenance expenses per bus was high and ranged from 86 to 89 *per cent* during the review period.

3.13.4 The repairs and maintenance expenditure per bus increased from Rs. 1.41 lakh to Rs. 2.08 lakh during 2004-05 to 2008-09. It is evident from the above table that the share of manpower cost in repair and maintenance expenses per bus was high and ranged from 86 to 89 *per cent* during review period. Higher percentage of manpower cost in repair and maintenance expenses indicated that manpower in Repair workshop was in excess of actual requirement and contributing to unreasonably higher repair cost. The annual repair and maintenance expenses constituted almost 17 *per cent* of cost of new bus and Rs. 1.69 per effective KM operated by Corporation buses during 2008-09 which was on higher side and adversely affected the operation of the Corporation. Thus, there was need to reduce the component of manpower cost in repair and maintenance expenses by improving productivity, redeployment and outsourcing of this activity. Further, looking to the high repairs and maintenance cost, hiring of buses can prove a prudent option as described later.

The Government stated (October 2009) that in absence of permission to purchase new buses the Corporation had to operate available old fleet during 2006-07 and 2007-08 which resulted in higher maintenance cost. However, the Management could rationalise its excess manpower deployed on repair and maintenance activity.

Manpower Cost

3.14.1 The cost structure of the Corporation shows that manpower and fuel constitute 75.69 *per cent* of total cost. Interest, depreciation and taxes – the costs which are not controllable in the short-term – account for 14.05 *per cent*. Thus, the major cost saving can come only from manpower and fuel.

3.14.2 Manpower is an important element of cost which constituted 40.18 *per cent* of total expenditure of the Corporation in 2008-09. Therefore, it is

µ Total buses held on 31 March every year excluding hired buses.

imperative that this cost is kept under control and the manpower is utilised optimally to achieve high productivity. The table below provides the details of manpower, its cost and productivity.

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total Manpower (Nos.)	22651	22369	21798	20961	20615
2.	Manpower cost (Rs. in crore)	289.96	308.41	328.24	364.01	470.09
3.	Effective KMs (in lakh)	5573.80	5933.90	6055.48	6015.26	6008.62
4.	Cost per effective KM (Rs.)	5.20	5.20	5.42	6.05	7.82
5.	Productivity per day per person (KMs)	67.42	72.68	76.11	78.62	79.85
6.	Total Buses (No.) (Average buses held)[ϖ]	4348	4373	4389	4306	4384
7.	Manpower per bus	5.21	5.12	4.97	4.87	4.70

The Corporation succeeded in reducing manpower per bus from 5.21 in 2004-05 to 4.70 in 2008-09. Audit observed that the substantial increase in manpower cost by Rs. 1.77 per KM in 2008-09 was due to implementation of the recommendation of 6th Pay Commission (September 2008). Further audit analysis of the deployment of traffic staff revealed that despite shortage of traffic staff in some depots, excess staff was posted at certain other depots as is evident from the table below:

Year	Drivers		Conductors		Booking Clerk	
	No. of depots having excess drivers	Excess staff	No. of depots having excess conductors	Excess staff	No. of depots having excess Booking Clerk	Excess staff
2004-05	3	9	13	93	28	285
2005-06	5	17	7	108	20	176
2006-07	6	26	9	140	14	91
2007-08	4	13	8	159	10	49
2008-09	6	21	8	174	8	36

Deployment of excess staff at above mentioned depots led to curtailment of trips at other depots having shortage of traffic staff causing loss of contribution of Rs. 14.16 crore out of Rs. 39.30 crore as discussed in paragraph 3.12.9.

The Government stated (October 2009) that the manpower cost increased mainly due to implementation of recommendations of the Sixth Pay Commission. The Management, while agreeing to the fact that there is no equitable distribution of manpower and there is need for improvement, stated that excess drivers were posted for uninterrupted operations in depots where medically unfit, suspended and on long leave drivers were posted. The reply is however, silent about the steps taken to increase manpower productivity.

ϖ Excluding hired buses.

Fuel Cost

3.15.1 Fuel is a major cost element which constituted 35.51 *per cent* of total expenditure in 2008-09. Control of fuel costs by a road transport undertaking has a direct bearing on its productivity. The table below gives the targets fixed by the Corporation for fuel consumption, actual consumption, mileage obtained per litre (Kilometre per litre *i.e.* KMPL) and estimated extra expenditure.

S.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Gross Kilometres (in lakh) of own buses	5311.32	5793.62	6029.68	6010.08	5901.37
2.	Actual Consumption (in lakh litres)	1061.36	1139.31	1205.40	1208.92	1185.07
3.	Kilometre obtained per litre (KMPL)	5.00	5.09	5.00	4.97	4.98
4.	Target of KMPL fixed by Corporation	4.96	5.16	5.15	5.10	5.05
5.	Consumption as per internal targets (in lakh litres) (1/4)	1070.83	1122.79	1170.81	1178.45	1168.59
6.	Excess Consumption (in lakh litres) (5-2)	0.00	16.52	34.59	30.47	16.48
7.	Average cost per litre (in Rs.)	23.50	28.67	31.34	30.54	33.54
8.	Extra expenditure (Rs. in crore)(7X6)	0.00	4.74	10.84	9.31	5.53

North East Karnataka State Road Transport, Uttar Pradesh and Andhra Pradesh registered mileage of 5.45, 5.33 and 5.26 KMPL.
(Source: STUs profile and performance 2006-07 by CIRT, Pune)

3.15.2 It can be seen from the above table that during 2006-07 there was steep increase in fuel consumption as compared to previous year. This was attributable mainly to increase in number of overage buses from 879 to 1,000. Besides, average age of the fleet also increased from 5.05 years to 5.16 years. Instead of taking measures for improvement in mileage, the Corporation constantly reduced the targets of KMPL from 5.16 to 5.05 during 2005-06 to 2008-09. The records of fuel consumption were examined in selected 12 depots and noticed that during 2006-07, 2007-08 and 2008-09 depots-wise targets of KMPL were not achieved in 9, 9 and 8 depots respectively due to overage fleet, heavy body star line buses, *etc.* The Corporation consumed 98.06 lakh litres of fuel valued at Rs. 30.42 crore in excess during the review period as compared to its internal targets, which had been fixed considering the local situation.

The Government stated (October 2009) that targets of KMPL were generally fixed on higher side to achieve better KMPL based on the fleet age, geographical location of depots and previous achievements. The reply is not based on facts as the targets were achievable as the actual KMPL achieved in 2004-05 was more than the target. Further, in 2008-09 despite inclusion of new buses in the fleet, the targets were reduced which also could not be achieved.

Cost effectiveness of hired buses

3.16.1 The Corporation started since 1975-76 hiring private buses on Kilometre payment basis (KM Scheme). Agreements with the private bus owners were initially entered into for a period of two years under KM Scheme. The owners of these buses were required to provide buses with drivers and to incur all expenditure for running the buses. The Corporation was to provide conductors and make payment as per the actual Kilometres operated by the hired buses. During the review period, the Corporation earned a net profit of Rs. 3.53 crore from the operation of 114 to 244 hired buses as shown below:

(Amount in Rs.)

S.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
	Own fleet◊					
1.	Cost per effective KM	14.86	15.63	16.56	17.43	19.25
2.	Traffic Revenue per effective KM	13.34	14.18	15.35	15.84	17.17
3.	Net Revenue per effective KM	(-)1.52	(-)1.45	(-)1.21	(-)1.59	(-)2.08
	Hired buses					
4.	No. of Hired buses at the end of the year	219	150	130	108	195
5.	Cost per effective KM[£]	11.19	12.48	13.30	14.39	14.96
6.	Traffic Revenue per effective KM	11.69	12.32	13.06	14.90	15.53
7.	Net Revenue per effective KM	0.50	(-)0.16	(-)0.24	0.51	0.57
8.	Total effective KMs operated (in lakh)	417.72	304.16	185.01	172.82	261.75
9.	Profit from hired buses (Rs. in crore)	2.09	(-)0.49	(-)0.44	0.88	1.49
10.	Traffic revenue per KM at 100 *per cent* load factor	18.57	20.57	21.59	21.96	23.81
11.	Break-even load factor considering traffic Revenue (5/10)	60.26	60.67	61.60	65.53	62.83

3.16.2 The break-even load factor in respect of hired buses is lower than the actual load factor achieved by the Corporation. This substantiated the proposition that hired buses are more profitable than own fleet. In view of the profitable segment, the number of hired buses should have been increased over a period of time. However, the number of hired buses decreased from 219 in 2004-05 to 108 in 2007-08 due to inadequate rate of hire charges and unfavourable terms of payment to private bus owners. Thus, the Corporation failed to increase the number of hired buses which would have resulted in additional revenue and avoidance of cancellation of scheduled KMs for want of buses. The buses held by the Corporation as well as effective KMs operated did not show significant improvement during the review period and the percentage of overage buses also remained high up to 2007-08. Due to constant losses the Corporation does not have resources to replace all its overage fleet. Looking at the fund constraint the Corporation should explore the possibility to replace the overage buses by hired buses. Secondly, the traffic revenue per effective KM is less in case of hired buses than that of own buses. Thus, there is scope to earn more.

◊ The figures in the S. No. 1 to 3 will not tally with the figures given in the table under paragraph 3.5.2 as the same are for the Corporation as a whole and include hired buses. This table deals with ordinary buses only.

£ This includes contract price, conductors' pay and overheads of depots/head office.

The Government stated (October 2009) that hired buses appeared comparatively more profitable because of their operation on long schedules and also due to higher establishment cost of the Corporation buses. Further, buses were not available for hiring in many depots and as per norms of keeping not more than 20 *per cent* of hired buses, the Corporation could not operate unlimited number of hired buses. The reply is not based on facts as during the review period the actual percentage of hired buses was less than five *per cent*.

Body Building

3.17 The Corporation does not have its own body building unit. The Corporation got 2,039 bus bodies fabricated during 2004-05 to 2008-09 through outsourcing. The cost of fabrication per bus was Rs. 4.23 lakh during 2008-09. This arrangement helps as the Corporation is not saddled with huge overheads as in case of repairs and maintenance expenses.

Financial Management

3.18.1 Raising of funds for capital expenditure, *i.e.*, for replacement/addition of buses happens to be the major challenge in financial management of Corporation's affairs. This issue has been covered in Paragraph 3.10.3. The section below deals with the Corporation's efficiency in raising claims and their recovery. This section also analyses whether an opportunity exists to realign the business model to generate more resources without compromising on service delivery.

Claims and Dues

3.18.2 The Corporation gives its buses on hire for which parties were required to pay in advance the charges at prescribed rates per kilometre basis at the time of booking. It was, however, noticed during Audit that speedometers were not working due to which, the charges were worked out on the basis of scheduled KMs of the destination and hours for which buses were hired. This left room for manipulation of actual KMs covered by bus. It was further noticed during Audit that despite the continuous increase in the operational cost per kilometre and increase in passenger fare, the Corporation did not take timely steps for increasing the hire charges. Had the revision in hire charges been effected by 50 Paise per KM at the time of revision of the passenger fare by 1 Paisa per KM, the Corporation could have earned additional revenue of Rs. 4.50 crore during the period from 2005-06 to 2008-09.

The Government stated (October 2009) that the rate of hire charges was frequently analysed and revised keeping in view the competition with private operators. The fact remains that hire charges should have been revised in proportion to passenger fare as the Corporation has shortage of buses and providing of buses given on hire resulted in curtailment of schedules.

Realignment of business model

3.19.1 The Corporation is mandated to provide an efficient, adequate and economical road transport to public. Therefore, the Corporation cannot take an absolutely commercial view in running its operations. It has to cater to uneconomical routes to fulfil its mandate. It also has to keep the fares affordable. In such a situation, it is imperative for the Corporation to tap non-traffic revenue sources to cross-subsidize its operations. However, the average share of non-traffic revenues (other than interest on investments and sale of scrap) was nominal at 1.64 *per cent* of total revenue during the review period. This revenue of Rs. 77.42 crore during 2004-09 mainly came from advertisements and restaurant/shop rentals. Audit observed that the Corporation has non-traffic revenue sources which it has not tapped substantially.

3.19.2 Over a period of time, the Corporation has come to acquire sites at prime locations in cities, districts and tehsil headquarters. The Corporation generally uses the ground floor/land for its operations, leaving an ample scope to construct and utilise spaces above. Audit observed that the Corporation has land (mostly owned/leased by the Government) at important locations admeasuring 16.17 lakh square metres as shown below.

Particulars	Cities (Municipal areas)	District HQrs.	Tehsil HQrs.	Total
Number of sites	15	34	64	**113**
Occupied Land (lakh sq. mtrs.)	5.03	6.61	4.53	**16.17**

3.19.3 It is, thus, possible for the Corporation to undertake projects on public private partnership (PPP) basis for construction of shopping complexes, malls, hotels, office spaces, *etc.* above (from first or second floor onwards) the existing sites so as to bring in a steady stream of revenues without making any investment. Such projects can be executed without curtailing the existing area of operations of the Corporation. Such projects can yield substantial revenue for the Corporation which can only increase year after year.

The Management during exit conference stated that the Corporation has started looking at new areas to earn income from non conventional sources including development of bus stands on public private partnership basis.

The Corporation had not framed any policy or strategy to increase the share of non-traffic revenue.

3.19.4 Audit observed that the Corporation had not framed any policy or strategy to increase the share of non-traffic revenue and in absence of policy, failed to execute any such project due to lack of proper study of this aspect. Since substantial non-traffic revenue will help the Corporation to cross-subsidize its operations and fulfil its mandate effectively, the Corporation may like to study realigning its business model and frame a policy in this regard.

Fare policy and fulfilment of social obligations

Existence and fairness of fare policy

3.19.5 As per Section 67 of the Motor Vehicle Act, the State Government has powers to issue notification in Gazette for fixation of maximum rate of passenger fare of stage carriage buses of the Corporation as well as private operators. The Corporation makes proposal for increase in maximum rate of fare whenever the cost of fuel is increased. The State Government after considering the proposal and other factors decides to increase the fare and accordingly the Corporation increases its passenger fares. Audit observed that the Corporation did not have a fare policy and fare is revised on ad hoc basis without any assessment of actual cost of the Corporation. The maximum fare prescribed by the State Government and fare rate charged by the Corporation during the review period was as under:

S. No.	Date of Government notification for fare revision	Notified fare per KM (in Paise)	Fare charged by the Corporation (in Paise)	Effective date of fare change by the Corporation
1.	23.10.2002 (Effective from 22.06.2002)	40	40	22.06.2002
2.	01.07.2005	45	43	03.07.2005
			45	10.09.2005
3.	06.07.2006	50	47	12.07.2006
			49	18.02.2008
4.	27.06.2008	53	52	28.06.2008

The Management during exit conference stated that there would be little use in preparing fare policy as the fair structure is controlled by the State Government. The reply is not acceptable as there is need to frame fare policy based on normative costs despite control on fare revision by the State Government.

3.19.6 The Corporation provides free/concessional passes to various categories of passengers like students, journalist, physically and mentally challenged persons, freedom fighters *etc.* as per instructions of the State Government. The State Government decided (January 2004) to adjust two months Special Road Tax (SRT) each year against the cost of such free/concessional fare. Audit noticed that the actual cost of free/concessional passes was higher than the amount of two months SRT adjusted by the State Government. The Corporation thus, incurred loss of Rs. 31.60 crore during the review period on this account. Audit further noticed that after the Government decision (January 2004) regarding adjustment of two months SRT against free/concessional passes, the Corporation allowed free/concessional passes to six more categories of passengers namely senior citizens, attendant accompanying the blind and widow of freedom fighters, women in group, tribal and licensed porters without obtaining firm commitment from the Government for reimbursement of cost of such additional concessions. The Corporation incurred loss of Rs. 8.80 crore on this account during the period September 2004 to January 2009.

The Management stated (September 2009) that matter relating to reimbursement of excess of actual cost of free and concessional facility over and above two months SRT was taken up with the Government from time to time. The Government, however, did not further elaborated the issue.

3.19.7 The fare policy of the Corporation has no scientific basis as it does not take into account the normative cost. Thus, there is a risk of commuters paying for inefficiency of the Corporation. The table below shows how the Corporation could have curtailed cost and increased revenue with better operational efficiency.

S.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Cost per KM (Rs.)	14.59	15.24	16.46	17.05	19.47
2.	Revenue per KM (Rs.)	13.91	14.78	16.16	16.66	18.01
3.	Loss of revenue due to low load factor (per KM)⇔ (Rs.)	0.35	1.39	0.24	0.51	1.01
4.	Excess cost due to low manpower productivity (per KM)⇑ (Rs.)	0.14	0.13	0.14	0.23	0.33
5.	Excess cost due to excess consumption of fuel (per KM) (Rs.)	0.00	0.08	0.18	0.16	0.10
6.	Ideal revenue per KM (2+3) (Rs.)	14.26	16.17	16.40	17.17	19.02
7.	Ideal cost per KM [1-(4+5)] (Rs.)	14.45	15.03	16.14	16.66	19.04
8.	Net revenue per KM (2-1) (Rs.)	(-)0.68	(-)0.46	(-)0.30	(-)0.39	(-)1.46
9.	Net ideal revenue per KM (6-7) (Rs.)	(-)0.19	1.14	0.26	0.51	(-)0.02
10.	Effective KMs (in crore)	55.74	59.34	60.55	60.15	60.09
11.	Avoidable loss (Rs. in crore) [(9-8) x 10]	27.31	94.94	33.91	54.14	86.53

3.19.8 The above Table does not take into account other inefficiencies such as low fleet utilisation, excess tyre cost *etc.* Nonetheless, it shows that the net revenue could have been higher by Rs. 296.83 crore if the operations were properly planned and efficiently managed, than what they actually are. By increasing the proportion of hired buses, the expenditure on manpower and repairs can also be curtailed substantially. Thus, the losses suffered by the Corporation are mainly on account of its high cost of operations and not due to low fare structure.

⇔ Worked out on the basis of difference of revenue at targeted load factor vis-à-vis actual revenue earned per KM.

⇑ It is the difference of manpower cost per KM on the basis of scheduled KMs and actual KMs run.

The Government accepted (October 2009) that in absence of ideal conditions, there is a scope for improvement in all areas and the Corporation is trying for that.

3.19.9 The above facts and analysis lead to conclude that it is necessary to regulate the fares on the basis of a normative cost and it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address the grievances of commuters.

Adequacy of services on uneconomical routes

3.19.10 The Corporation had about 13 *per cent* profit making schedules as on 31 March 2009 as mentioned in paragraph 3.12.5. However, the position would change if the Corporation improves its efficiency. Nonetheless, there would still be some schedules which would be uneconomical. Though the Corporation is required to cater to these schedules, the Corporation has not formulated norms for providing services on uneconomical schedules. In the absence of norms, the adequacy of services on uneconomical schedules cannot be ascertained in audit. The desirability of having an independent regulatory body to specify the quantum of services on uneconomical schedules and routes, taking into account the specific needs of commuters, is further underlined.

3.19.11 Out of 5,833 routes having a length of 7.06 lakh KMs, the Corporation operated 2,537 numbers of routes of total length of 5.04 lakh KMs in the State during 2007-08. The Corporation has sole right to operate on routes which are declared nationalised[@] routes by the State Government. There were 3,296 numbers of other routes of total length of 2.02 lakh KMs which were served only by the private operators for which adequacy of services was not ascertainable. Audit further observed that the Corporation did not operate buses on 26 nationalised routes being uneconomical and on the request of the Corporation, the State Government de-notified (6 December 2006) these routes without ensuring adequacy of services on these routes by private operators.

The Government during exit conference stated that route surveys are being conducted to ascertain services in underdeveloped routes.

@ Routes notified by the State Government to be solely operated by the Corporation.

Monitoring by top management

MIS data and monitoring of service parameters

3.20 For an organisation like a Road Transport Corporation to succeed in operating economically, efficiently and effectively, there has to be written norms of operations, service standards and targets. Further, there has to be a Management Information System (MIS) to report on achievement of targets and norms. The achievements need to be reviewed to address deficiencies and also to set targets for subsequent years. The targets should generally be such that the achievement of which would make an organisation self-reliant. The Corporation has a Statistical Cell headed by a Deputy General Manager under the control of Executive Director (Traffic). Statistical cell compiles monthly information received from depots for various performance indicators and communicates it monthly to concerned Heads of Department (HOD) *i.e.* Executive Directors, Engineering and Traffic and Finance Advisor. The depot wise monthly or yearly targets for various performance parameters are set by the concerned HOD. The system was deficient as effectiveness and usefulness of various information compiled had not been reviewed and MIS did not provide information on schedules operating below variable cost. Audit also found that the Board of the Corporation, while appraising the quarterly financial and operational performance of the Corporation did not recommend corrective action on operational underperformance.

The Management during exit conference stated that there is over-monitoring as too many parameters are being monitored instead of focused specific performance parameters. The Management also explained that the Board discuss various operational performance parameters and traditionally suggest to CEO (MD/CMD) to examine and initiate proposal for consideration, while agreeing to the need of recording such suggestions in minutes of Board of Directors for improving effectiveness in monitoring.

Conclusion

Operational performance

- **The Corporation could not keep pace with the growing demand for public transport as its share declined from 18.27 *per cent* in 2004-05 to 17.31 *per cent* in 2008-09.**

- **It could not recover the cost of operations in any of the five years under review. This was mainly due to operational inefficiencies, and inadequate/ineffective monitoring by top management.**

- **The Corporation has scope to improve its operations as its performance on important operational parameters such as fleet**

utilization, vehicle productivity and load factor was not up to its internal targets and performance of best STUs in respective categories.

- **The Corporation did not carry out the timely preventive maintenance in more than 56 *per cent* cases, as seen in selected depots, affecting the roadworthiness of its buses.**

- **The Corporation did not ensure economy in operations as its fuel cost was higher than its internal targets. Bus checking system was not effective to plug the possible revenue leakage.**

- **Despite having shortage of buses and hired buses being profitable, the Corporation did not increase the number of hired buses.**

Financial management

- **The Corporation does not have a policy in place to exploit non-conventional sources of revenue.**

Fare policy and fulfillment of social obligations

- **The Corporation neither has a fare policy based on scientific norms, nor any yardstick for adequacy of operation of uneconomical routes.**

Monitoring by top management and future needs

- **The MIS was not effectively used by the top management for monitoring key operational parameters.**

Though the Corporation has been incurring losses, it is mainly due to its high cost of operations and negligible reliance on hired buses and not due to low fare structure. On the whole, there is immense scope to improve the performance of the Corporation. The Corporation can control the losses by resorting to hiring of buses and tapping non-conventional sources of revenue. Effective monitoring of key parameters coupled with certain policy measures can see improvement in performance.

Recommendations

The Corporation may:

Operational performance

- **Increase its operations and share in passenger traffic by increasing its fleet strength through hiring of buses which would also result in reduction of manpower cost and repair expenses.**

- **Strengthen its bus checking system to plug revenue leakage.**

Financial performance

- **Consider devising a policy for tapping non-conventional sources of revenue by undertaking PPP (Public Private Partnership) projects.**

Fare policy and fulfillment of social obligations

- **Devise a fare policy on the basis of normative costs.**

- **The Government may consider creating a regulator to regulate fares and also services on uneconomical routes.**

- **The Government may consider reimbursing the Corporation the actual cost of free/ concessional travel facility provided on its instructions.**

Monitoring by top management

- **The top management should regularly monitor the important operational parameters and take remedial measures for improvement.**

Chapter IV

4. Transaction Audit Observations

Important audit findings emerging from test check of transactions made by the State Government Companies and Statutory Corporations have been included in this Chapter.

Government Companies

Jaipur Vidyut Vitran Nigam Limited, Ajmer Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited

4.1 Non-recovery of power purchase cost adjustment

Inaction on the part of Vitran Nigams in effecting recovery of PPCA charges led to loss of Rs. 650.50 crore.

The Aggregate Revenue Requirement (ARR) for the year 2006-07 submitted by the three Distribution Companies* (Vitran Nigams) to Rajasthan Electricity Regulatory Commission (Commission) indicated revenue deficit of Rs. 638.61 crore**. The Commission while approving the ARR directed (July 2006) the Vitran Nigams to file tariff petition within 30 days failing which the Commission may undertake a *suo-moto* determination of tariff in accordance with para 8.1(7) of the tariff policy. As the Vitran Nigams did not file the tariff petition, despite extension of time, and also had not reached the stage of earning profit, the Commission *suo-moto* initiated action for rationalizing the existing tariff structure. The Commission, after considering the objections/comments/suggestions from the interested parties and from the Vitran Nigams, proposed (August 2007) the Power Purchase Cost Adjustment (PPCA) formula# for recovering the additional charge for adjustment of tariff on account of fuel related cost of electricity generation and purchase of electricity.

The Commission observed (August 2007) that the PPCA formula was by and large acceptable to all the stakeholders barring some apprehensions raised during hearing. The Commission considered it appropriate to decide that the benefit of PPCA in full would be allowed to Vitran Nigams only after tariff petition is filed by them. The Commission also decided that the Vitran

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* Jaipur Vidyut Vitran Nigam Limited (JVVNL), Ajmer Vidyut Vitran Nigam Limited (AVVNL) and Jodhpur Vidyut Vitran Nigam Limited (JdVVNL).

** JVVNL Rs. 51.68 crore, AVVNL Rs. 306.85 crore and JdVVNL Rs. 280.08 crore.

\# Increase in power purchase cost over the base period.

Nigams may, as an ad-hoc arrangement till a decision is taken on the tariff petition and approval of formula, levy 50 *per cent* of the PPCA (ad-hoc PPCA) as per the formula worked out by it. The Commission also suggested that initially the base rate may be adopted for the year 2006-07 and first levy may be for the third quarter of the year 2007-08 based on the calculations for the second quarter. It was also directed that before claiming any amount from the consumer on account of ad-hoc PPCA, the Vitran Nigams shall submit the detailed calculations for scrutiny and approval of the Commission.

Audit observed (April 2009) that the Vitran Nigams submitted (October 2007) the ad-hoc PPCA, worked out as per formula prescribed, to the Commission for its approval. Simultaneously, they apprised the State Government about the decision of the Commission. The Commission made (25 October 2007 and 2 November 2007) some observations with regard to the calculations furnished by the Vitran Nigams and asked them to re-work ad-hoc PPCA rate. The Commission also directed the Vitran Nigams to effect recovery from various categories of consumers with effect from 1 October 2007 as per clause 7(2) of the RERC (Terms & Conditions for Determination of Tariff) Regulations, 2004. The calculation along with details thereof was to be submitted to the Commission for scrutiny and approval as per clause 7(3) of the said Regulation. Audit observed that the State Government had no jurisdiction to intervene in the decision of the Commission except as provided in Section 65 of the Electricity Act, 2003 which clearly stipulated that in case the State Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the State Commission, it should compensate in advance an equivalent subsidy to the Vitran Nigams. In case of non-receipt of subsidy in accordance with the provisions, no direction of the State Government shall be operative.

The Vitran Nigams without effecting recovery from the consumers submitted (8 November 2007) the reworked rate of ad-hoc PPCA to the Commission. Audit noticed that the Vitran Nigams, instead of effecting recovery of ad-hoc PPCA charges from various categories of consumers requested (February 2008 and June 2008) the State Government to allow them to charge ad-hoc PPCA from the consumers and also to file petition before the Commission for recovering 100 *per cent* as per PPCA formula. It was also requested that in case the Government finds it difficult to accord approval for charging ad-hoc PPCA/filing tariff petition, the State Government may provide equivalent subsidy.

The State Government directed (May 2008) the Vitran Nigams not to file the tariff petition for charging the PPCA from the consumers of all categories including agriculture consumers, however, without agreeing to grant subsidy as provided in the Electricity Act and therefore decision/instruction of State Government was not binding on the Vitran Nigams. The Vitran Nigams again approached (February 2009) the State Government for staying the Fuel Price Adjustment (FPA) cost being charged by Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL) from April 2007 onwards as per the orders of the Commission as it would further increase their revenue deficit and deteriorate the financial position. The State Government, however, did not respond to the request of the Vitran Nigams.

Audit further noticed that ad-hoc PPCA charges worked out by the Vitran Nigams for the period from October 2007 to March 2008 were to the tune of Rs. 300.08* crore including the additional cost incurred on purchase of power from RRVUNL. The additional cost incurred on purchase of power during 2008-09 was, however, not worked out by the Vitran Nigams on the plea that the State Government had not accorded its approval to recover the same from the consumers. However, considering the FPA charged by the RRVUNL from the Vitran Nigams for the year 2008-09, the additional cost on purchase of power works out to Rs. 350.42** crore.

Audit observed that the Vitran Nigams being commercial undertaking failed to protect their commercial interest as they did not recover the ad-hoc PPCA charges despite rising power purchase costs and approval of the Commission and therefore suffered a loss of Rs. 650.50 crore. The decision of the Vitran Nigams to take up the matter with the State Government was imprudent as they were competent to proceed for levy of PPCA as per approval of the Commission. The State Government had power to intervene on orders of the Commission only when it agrees to provide equivalent subsidy (*i.e.* Share the burden of PPCA) in cash in advance. Thus, the Vitran Nigams suffered a loss of Rs. 650.50 crore due to non-recovery on account of ad-hoc PPCA. This also had an adverse impact on their already deteriorating financial position.

The Management in its reply stated (June 2009) that the Energy Department did not accord its approval to file the tariff petition for charging the PPCA from the consumers of all categories including agriculture consumers. It further stated that the recovery of dues from consumers was a sensitive issue and therefore it was necessary to apprise the State Government the real situation and only after getting the confidence and support of the State Government the Vitran Nigams can move forward for effecting recovery. The Government endorsed (July 2009) the reply of the management.

The reply is not convincing as there exists a mechanism of Commission to regulate the tariff. The Vitran Nigams were competent to file tariff petition and prior permission of the State Government was not necessary to file tariff petition or to recover ad-hoc PPCA charge on an ad-hoc basis. Further, non recovery of PPCA by the Vitran Nigams had not only violated the orders of Commission which were acceptable to all stake holders by and large but also placed them under critical financial strain.

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* JVVNL: Rs.110.02 crore, AVVNL: Rs. 94.27 crore, JdVVNL: Rs. 95.79 crore.
** JVVNL: Rs.133.15 crore, AVVNL: Rs. 113.30 crore, JdVVNL: Rs. 103.97 crore.

Rajasthan Rajya Vidyut Prasaran Nigam Limited

4.2 Improper planning led to delay in execution of project and cost escalation

Untimely procurement of shunt reactors worth Rs. 11.85 crore coupled with improper planning for execution led to blocking of interest bearing funds and increase in the project cost by Rs. 56.78 lakh.

Rajasthan Rajya Vidyut Prasaran Nigam Limited (Company) invited (May 2006) tender in two parts *i.e.* technical and financial bid for supply, erection, testing and commissioning of two 50 MVAR 400 KV shunt reactor and 400 KV bays for 400 KV double circuit line from Kota to Merta City. The technical bids, which were to be opened initially in July 2006, were extended four times and finally opened in November 2006. The matter was put up to the committee of Whole Time Directors (WTD) in March 2007 with the recommendation to open price bids of both the bidders *viz;* Crompton Greaves Limited (CGL) and Bharat Heavy Electrical Limited (BHEL). The WTD committee enhanced (May 2007) the tendered quantity from two shunt reactor to four shunt reactor as two bays were to be constructed for 400 KV double circuit lines coming from Raj West Power Ltd. (Rajwest) for which tenders of lines were under issue. During analysis of the price bid, the WTD committee observed that CGL was the lowest (L_1) bidder. On the advice of the WTD, negotiation was held with the CGL on 25 May 2007 and after obtaining discount of two *per cent* on the quoted price excluding taxes, the letter of intent (LOI) was issued (31 May 2007) in favour of CGL for Rs. 23.80 crore (including type test charges Rs. 11 lakh) and Rs. 1.85 crore towards supply of four sets of shunt reactors and associated equipments and for erection, testing and commissioning (including civil works) respectively. The detailed purchase/work orders were issued on 12 June 2007 with scheduled delivery period of 12 months for supply and 15 months for erection, testing and commissioning. CGL completed the supply of shunt reactors within the delivery schedule *i.e.* by June 2008 and payment was made in October 2008.

Audit noticed (February 2009) that the orders for other related works, which were required to be completed prior to installation of shunt reactors at 400 KV Grid Sub-station for terminating 400 KV double circuit line from Rajwest to Jodhpur, were placed subsequently to the date of orders placed for supply and erection, testing and commissioning of two sets of shunt reactor and associated equipments. Orders for supply of material and erection of lines were placed (September 2007) on KEC International Limited with scheduled completion period of 18 months from the date of receipt of detailed order *i.e.* by March 2009. Order for supply of ACSR MOOSE conductor was placed (July 2008) on Sterlite Technologies Limited. The delivery of conductor was to commence from second month and to be completed by the end of twelfth month from the date of receipt of purchase order *i.e.* by July 2009. Audit further noticed that the Company had not placed orders for supply of connected bays by March 2009. The progress of erection of line was also minimal as only 49 circuit KM line *i.e.* 11 *per cent* of total line was erected (February 2009) as against the scheduled completion date.

Audit observed that the shunt reactors, which were to be commissioned after erection of the line and installation of the bay, were procured well before its actual requirement, thus blocking the funds to the tune of Rs. 11.85 crore from October 2008. This led to increase in project cost by Rs. 56.78 lakh* upto March 2009. There was lack of proper planning in award and execution of the project. WTD erred in increasing the quantity of shunt reactors without assessing the probable dates of requirement of shunt reactors keeping in view the progress of works which was to be completed before shunt reactors could be used.

The Government in its reply (June 2009) stated that as per provisions of the purchase manual, WTD was empowered to approve purchase of any quantity upto tendered quantity and could have also approved repeat order to this extent. The WTD committee exercised its power in anticipation that additional order may be at higher rate. Further, due to increase in quantity, CGL also agreed for two *per cent* discount on its quoted ex-works price as against 0.75 *per cent* offered initially. It further stated that in a multi task project, all the activities/work can not be planned to simultaneously complete in a particular month.

The reply is not convincing as the purchase manual empowered the WTD to approve tendered quantity in repeat order *i.e.* supply order to be placed subsequent to original order. In the instance case, the WTD committee wrongly interpreted the provisions of the purchase manual and erroneously enhanced the tendered quantity of shunt reactors from two to four, which was beyond its powers. The decision of WTD to enhance quantity after opening of financial bid was also imprudent, against established commercial practices and lacked transparency in adopting purchase procedure as the other bidder was not given opportunity for quoting competitive price for enhanced quantity of shunt reactors. The Company should have either invited fresh tenders for the enhanced quantity or asked both the qualified firms to give their revised financial bids. The contention of the Government that all the activities/works can not be planned to simultaneously complete is also not convincing as in the project having financial implication of Rs. 170 crore approximately excluding bay work, the Company should have prepared a schedule of activities on Critical Path Method (CPM) before initiating project activities and accordingly placed various orders. The Company needs to improve upon its project management capability.

4.3 Extra expenditure

Decision of the Company to scrap the tender of the bays at terminal end, ignoring the overall lowest bid, resulted in extra expenditure of Rs. 40.66 lakh and also led to increase in cost of project by Rs. 4.63 crore.

For strengthening the 400 KV network, Rajasthan Rajya Vidyut Prasaran Nigam Limited (Company) proposed (October 2003) a 180 KM. long 400 KV transmission line between Ratangarh and Merta. For commissioning of the transmission line, readiness of bays at terminal ends is prerequisite, hence the

* Rs. 11.85 crore x 11.5% x 5/12 = Rs. 56.78 lakh

Company invited (July 2004) tender for supply of equipment/material, construction, erection, testing and commissioning of 400 KV bays at 400 KV Grid Supply Station (GSS) at Ratangarh, Merta and Heerapura. Offers were received from only two firms *viz;* Areva and Larson & Toubro Limited (L&T). The technical bids and financial bids were opened in August 2005 and December 2005 respectively. The price quoted by Areva (L_1 Firm) was Rs. 35.89 crore including Rs. 5.66 crore on civil works. L&T (L_2) offered Rs. 41.10 crore including civil works of Rs. 3.86 crore. The L_1 Firm was asked to reduce the prices of civil works but the firm expressed its inability to provide any reduction in the price quoted and stated that the bid may not be compared on the basis of price of individual component/activity and should be seen in totality, as the tender was floated on turnkey basis.

The matter was put up to the Whole Time Directors (WTD) of the Company in February 2006 wherein it was decided to scrap the tender as the L_1 firm had quoted abnormally high prices for civil works and the progress of the line work was likely to be delayed by 2-3 months. It was also decided to invite fresh tenders after including proposed deposit bay works of Power Grid Corporation of India Limited (PGCIL).

Fresh tenders were invited (May 2006) in two packages *i.e.* Package I for Merta city including deposit bay works of PGCIL and Package II for Ratangarh, Jodhpur and Heerapura on turnkey basis. The technical and financial bids were opened in August 2006 and November 2006 respectively. As L&T stood lowest for total adjusted price of Rs. 28.29 crore for Package-I and Rs. 34.22 crore for Package-II, a detailed order was placed (February 2007) with the stipulated completion period of 12 months (December 2007) from the date of letter of intent.

Audit noticed that the decision of the WTD to scrap the first tender was not based on financial prudence as only two aspects were considered by the WTD *i.e.* higher prices for civil works quoted by the then L_1 Firm and progress of line work ignoring the vital fact that the overall price offered by the L_1 Firm was lower as compared to L_2 Firm for supply of equipment, erection and testing *etc*. (excluding civil works) by Rs. 7.01 crore and by Rs. 5.21 crore including civil works. Further the Company had taken different parameters while analyzing the prices offered in fresh tender and previous tender, as in fresh tender the prices for civil works offered by L&T were higher by Rs. 3.20 crore as compared to L_2 Firm but the same was ignored and order was placed keeping in view the overall lowest bid.

Audit observed that the work for survey, supply and construction of 400 KV transmission line from Ratangarh to Merta awarded (May 2005) to L&T on turnkey basis was completed in July 2007 at a total cost of Rs. 97.49 crore including interest during construction period but the line could not be commissioned immediately as the associated work of bays at the terminal end was completed in May 2008 due to delay in placing the order. The decision to invite fresh tender was not justified as for a turnkey contract it was imprudent to compare bids on the basis of individual component or activity. This not only resulted in extra expenditure of Rs. 40.66 lakh on erection of bay and other associated work (difference of cost of lowest offer of original scrapped tender and order placed in fresh tender) but also led to delay of 10 months in commissioning of line resulting in idling of project assets of Rs. 97.49 crore. Further the benefit of savings envisaged by reducing the transmission losses could not be derived. This also resulted in increase in cost of project by Rs. 4.63 crore due to excess capitalisation of interest on account of delay in commissioning of line.

The Government while accepting the facts stated (May 2008) that the WTD had decided to scrap the tender considering the progress of 400 KV Ratangarh-Merta line which was likely to be delayed by 2-3 months and the placement of order for construction of 400 KV terminal bays was not critical at that stage. It further stated that the line work is yet to be completed and the work of 400 KV terminal bays is likely to be completed by May 2008, thus commissioning of both the projects is matching with each other.

The reply is factually incorrect as the erection of the line was completed in July 2007 but the line could not be charged for 10 months due to delay in the bay work at Ratangarh and Merta. Moreover, while evaluating the turnkey tenders the Company adopted different parameters and the WTD was not right in scrapping tender based on comparison of individual component/activity instead of comparing overall price, thus overlooking the spirit of turnkey project.

The Company needs to incorporate guidelines/instructions for proper evaluation of turnkey contracts in its purchase manual.

4.4 Avoidable extra payment on account of price variation

The disadvantageous decision of the Company to allow price variation considering the date of readiness as date of delivery resulted in avoidable extra payment of Rs. 17.45 lakh.

Rajasthan Rajya Vidyut Prasaran Nigam Limited (Company) placed (December 2005) an order for supply of two Nos. 100 MVA 220/132/11 KV Auto Power Transformers along with Nitrogen Injection Fire Prevention & Extinguishing System with mandatory spare set in favour of ABB Limited, Vadodara (Supplier Firm). As per the delivery schedule envisaged in the purchase order, the first and second unit were to be supplied between 1 September 2006 to 30 November 2006 and 1 December 2006 to 28 February 2007 respectively. The price was variable with base date 1 April 2005 as per IEEMA price variation formula for power transformers. Clause 3 (v) of the purchase order provided that the purchaser would not be responsible to bear any additional liability on account of price variation due to delay in supply beyond the stipulated period of delivery for any reason, however, if price variation decreased during such delayed period, the price variation should be considered accordingly. Clause 3 (vi) provided that for supplies made after expiry of schedule delivery, price variation applicable as per schedule delivery or applicable as per actual delivery, whichever is advantageous to the purchaser shall be allowed.

Scrutiny (May 2008) of records of the Superintending Engineer, Sub Station Procurement Circle, Rajasthan Rajya Vidyut Prasaran Nigam Limited, Jaipur indicated that the Supplier Firm after attending the observations and carrying out necessary rectification as pointed out by the Company during final inspection (December 2006), requested (February 2007) the Company to release despatch instruction for supply of the first unit. The first unit was supplied on 8 March 2007. The second unit was offered for inspection on 5 March 2007 and supplied on 26 March 2007.

It was observed that the delay in supply of the transformer was due to non-compliance to approved drawings by the Supplier Firm and non-availability of duly calibrated impulse measuring system as per the Company's specification provided in the purchase order. The Company, however, allowed price variation for the first unit up to February 2007 treating the date of readiness for inspection as date of delivery whereas the unit was actually supplied in March 2007 when the price variation had decreased the cost by Rs. 14.42 lakh. Thus, the injudicious decision of the Company resulted in avoidable extra payment of Rs. 17.45 lakh on account of price variation including excise duty and Value Added Tax.

In reply the Government stated (September 2009) that the price variation was allowed as per IEEMA price variation formula, the date of delivery was the date on which the transformer was notified as being ready for inspection/despatch or contracted delivery date, whichever was earlier. Further in order to have the clarity for the date to be considered for allowing price variation, Price Variation clause has been standardised (February 2007) for incorporation in future specification.

In the instant case the unit was actually supplied in March 2007 *i.e.* after expiry of scheduled delivery. In such cases of supplies due to delay on part of the supplier, price variation applicable as per scheduled delivery or applicable as per actual delivery whichever was advantageous to the purchaser should have been allowed. However, the Company allowed price variation upto February 2007 treating the date of readiness for inspection as the date of delivery and thus failed to protect the financial interest of the Company.

Jaipur Vidyut Vitran Nigam Limited

4.5 Avoidable extra payment of interest

Delay in completion of procedural formalities led to avoidable extra payment of interest of Rs. 1.53 crore.

The Rajasthan Stamp Act, 1998 provides that an agreement or memorandum of agreement, if relates to the repayment of a loan or debt made by a bank or Finance company, stamp duty at the rate of 0.1 *per cent* of the amount of loan or debt is required to be paid. Jaipur Vidyut Vitran Nigam Limited (Company) obtains term loan/short term loan (STL) from various banks/financial institutions to meet its funds requirement. The Company, however, paid the stamp duty on execution of loan agreement only in such cases where the bank/financial institutions insisted upon. The Company made a reference (August 2007) to the State Government for general exemption from payment of stamp duty on the grounds that the agreement with the banks for term loan/STL are not for securing repayment of loan, as Government guarantee is provided separately for the purpose and a guarantee commission at the rate of 0.1 *per cent* is already paid to the Government by it. Audit noticed that the State Government had deducted the unpaid stamp duty amount for the previous year while releasing the subsidy to the Company.

Meanwhile, Oriental Bank of Commerce (Bank) sanctioned (10 July 2008) a long term loan of Rs. 76.72 crore to the Company for a period of 10 years including an initial moratorium period of 3 years at interest rate of 10.75 *per cent* per annum (Prime Lending Rate (PLR) 13.25 minus 2.50 *per cent*). The rate of interest was further subject to reset every two years. The Board of the Company approved (30 July 2008) the proposal and concurrence of the State Government was received on 30 August 2008. The Government guarantee was also issued on 9 September 2008. The Bank intimated (13 September 2008) the Company to complete the documentation formalities and affix thereon proper stamp duty as per the Stamp Act.

Scrutiny (February 2009) of records of the Company indicated that the Company instead of depositing the stamp duty amounting to Rs. 7.70 lakh and executing loan document, put the matter of availing loan on hold (15 September 2008) for awaiting decision on exemption of stamp duty pending with the State Government. On non-receipt of decision in the matter of exemption from the Government, the Company approached (30 September 2008) the Bank for execution of loan documents with its readiness for payment of stamp duty to the Government. The bank informed (5/6 November 2008) the Company that it had revised the rate of interest to 12.75 *per cent* per annum (PLR 14.00 minus 1.25 *per cent)* subject to annual reset clause. The interest rate was finally agreed to (18 November 2008) by the bank at the rate of 11.75 *per cent* per annum *i.e.* (PLR 13.25 minus 1.50 *per cent*). As a result, delay in documentation led to revision in interest reset clause and increase in interest rate due to reduction of discount over PLR by one *per cent i.e.* from 2.50 *per cent* to 1.50 *per cent* as the financial markets turned volatile amidst acute liquidity crisis. While accepting all terms and conditions of the Bank the Company executed loan documents and availed loan of Rs. 26.72 crore (18 November 2008) and Rs. 50 crore (1 December 2008).

Thus, the imprudent decision of the Company to keep the payment of stamp duty on hold awaiting relaxation led to additional burden of avoidable extra payment of interest of Rs. 1.53 crore during initial two years. The Company has already made payment of avoidable interest of Rs. 19.85 lakh up to February 2009.

The Government accepted (May 2009) the facts mentioned above.

4.6 Undue benefit to the consumers

Undue benefit of Rs. 66.02 lakh to consumers in violation of terms and conditions of supply (TCOS).

In pursuance of the Electricity Supply Code and Connected Matters Regulation 2004, notified (June 2004) by the Rajasthan Electricity Regulatory Commission (RERC), the Jaipur Vidyut Vitran Nigam Limited (Company), after approval of the RERC, issued (August 2004) Terms and Conditions of Supply, 2004 (TCOS). As per clause 40(6) of the TCOS hundred *per cent* cost including overhead charges was to be recovered from the consumer in case of shifting of lines. There was no provision under the TCOS for waiver/sharing of any amount chargeable on account of shifting of connection/lines. The Company filed (February 2007) a petition in the RERC for amendment to this clause of TCOS allowing it to share 50 *per cent* of cost of shifting. The RERC issued (August 2007) orders approving amendments in supply code and stated that revision in the TCOS shall be subsequent step to be taken up separately.

During scrutiny of records of the Company, Audit noticed that four consumers[*] of Jaipur had approached (between February 2006 and September 2007) the Company for shifting of 33 KV Double Circuit and 11 KV over head lines passing through their land. The shifting of 33/11 KV overhead lines was proposed through underground cable. The Company accordingly prepared estimates of Rs. 80.66 lakh. It was noticed that estimates of two consumers[**] were prepared taking into consideration the cost 3 x 185 mm square XLPE cable and 185 mm square ST joint instead of 300 mm square XLPE cable and 300 mm square ST joint. Both these works were, however, carried out by using the 300 mm square XLPE cable and 300 mm square ST joint, which were much costlier, on the ground that neither the 3 x 185 mm square XLPE cable was available in the stores nor in the process of procurement. Audit observed that the estimates prepared by the Company were not accurate and the same were not even revised before carrying out the work of shifting and thereby the Company incurred an extra expenditure of Rs. 25.69 lakh on shifting of these two lines, which were recoverable from the consumers as per prevailing rules. Further the Company allowed shifting of over head lines by allowing waiver of Rs. 40.33 lakh being 50 *per cent* cost of estimates.

Thus, by waiving Rs. 40.33 lakh being 50 *per cent* of cost of shifting of lines and also not recovering the extra expenditure of Rs. 25.69 lakh due to wrong preparation of estimates, the Company extended undue benefit of Rs. 66.02 lakh to consumers which was in contravention to the provision of sub-clause 6 of clause 40 of the TCOS.

The Government while accepting the facts stated (April 2009) that the cost of shifting of HT/EHT lines is normally very high and therefore it was

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** Mahaveer Hunuman Mandir Seva Samiti, Abha Paliwal and other inhabitants of Sri Gopal Nagar.

practically not possible for the applicant as individual to bear the same. It was, therefore, considered that the provision of sharing 50 *per cent* cost as prescribed earlier by the erstwhile Rajasthan State Electricity Board and after unbundling by the Company in 1996 and 2002 respectively may be followed in such type of cases. It further stated that 185 mm XLPE cable was neither available in the stock nor in the process of procurement and using of 300 mm size cable would also be suitable to meet out future load.

The reply confirms the fact that as after approval of TCOS -2004, hundred *per cent* cost including overhead charges was to be recovered from the consumer in case of shifting of lines. The Company deviated from the provisions of the TCOS and thereby extended undue favour to the consumers. Moreover in another instance, the Company recovered (January and June 2006) full cost *i.e.* hundred *per cent* of line shifting charges amounting to Rs. 7.94 lakh from the Secretary, Krishi Upaj Mandi Samiti, Surajpol, Jaipur for shifting of 11 KV overhead lines.

Thus, the action of the Company of shifting of overhead lines passing through the premises of these consumers by waiving 50 *per cent* of cost and without recovering the revised estimate tantamounted undue benefit to consumers, in violation of TCOS-2004.

The Company should adhere the provisions of TCOS-2004 and should not deviate from the same unless approved by the RERC.

4.7 Non-recovery of interest

The Company extended undue benefit to the consumer by relaxing the conditions of the rehabilitation package. The Company also did not recover the interest of Rs. 52.69 lakh as per BIFR sanctioned scheme.

Jaipur Vidyut Vitran Nigam Limited (Company) issued (between July 2004 and September 2004) orders for rehabilitation package for revival of sick industries. The rehabilitation package *inter alia* includes the following concessions:

- The outstanding dues, excluding the interest, penal interest, late payment surcharge and delayed payment surcharge, as on date of request for revival, shall be allowed to be paid in six half yearly installments and first half yearly installment shall be paid before reconnection, wherever applicable;

- On the outstanding dues as per para (i), no penalty and interest shall be levied;

- The minimum charges for the closure period if any, prior to the date of request for revival and during the period of sickness shall be waived.

Scrutiny of records indicated (April 2009) that Lords Chloro Alkali Limited (consumer), a sick industrial unit since January 2002, having outstanding dues of Rs. 55.71 crore (Principal Rs.14.48 crore, Interest Rs. 28.37 crore and late payment surcharge Rs. 12.86 crore) requested (February 2005) the Company for settlement of its dues under the rehabilitation package. Pursuant to the provisions of the concessional package, the Company waived the interest and late payment surcharge and allowed (March 2005) the consumer to deposit the principal amount of Rs. 14.48 crore in six half yearly installments commencing from March 2005. Board for Industrial and Financial Reconstruction (BIFR) also approved (November 2006) the scheme for revival of the consumer, which included provisions regarding settlement of outstanding electricity dues. Clause 14 of Para 10.8 provided that in case of delay in payment of any installment by the consumer, interest at the rate of six *per cent* shall be levied after allowing a grace period of six months for payment of installments on interest free basis.

Audit observed that the consumer did not adhere to the terms and conditions of rehabilitation package and the scheme sanctioned by the BIFR. As against the settled amount of Rs. 14.48 crore, the consumer had deposited only Rs. 6.84 crore up to the scheduled date *i.e.* September 2007. The concession package allowed (March 2005) clearly provided that in case of default in payment of installments, besides disconnecting the electric supply of the consumer, the facility of concession package shall also be withdrawn and the consumer would be liable to pay outstanding dues in normal course. The sanctioned scheme of BIFR allowed the Company to charge interest in case of delay of more than six months. Despite these provisions, the Company did not safeguard its financial interest and accepted the payments up to February 2009 *i.e.* with a delay of 17 months from originally committed period.

Thus, the Company extended undue benefit to the consumer as it failed to recover the interest of Rs. 52.69 lakh for delayed period which was beyond the grace period of six months as per BIFR sanctioned scheme. Further, this relaxation in the conditions of the rehabilitation package was extended without the approval of Board of Directors. The Company should evolve a system to ensure that in case of settlement of dues, the terms and conditions of settlement are adhered to by the consumer to safeguard its financial interest.

The matter was reported to the Government/management (April 2009) and their replies were awaited (September 2009).

4.8 Undue benefit of power factor rebate to consumers

In violation of orders of the Commission and norms fixed by the Central Electricity Authority, the Company extended undue benefit of power factor incentive amounting to Rs. 31.04 lakh to consumers.

Tariff for supply of electricity-2004 of Jaipur Vidyut Vitran Nigam Limited (Company) provides that consumers having sanctioned connected load of more than 25 HP (18.65 KW) shall maintain an average power factor of not less than 0.90 (90 *per cent*). In case the average power factor falls below 0.90, a surcharge at one *per cent* of energy charges for every 0.01 (one *per cent*) fall in average power factor below 0.90, shall be charged. Also an incentive of one *per cent* of energy charges shall be provided if average power factor is above 0.95 (95 *per cent*).

In a *suo moto* petition in the matter of rationalisation of retail tariff for the Company, the Rajasthan Electricity Regulatory Commission (Commission) amended the above clause and decided (August 2007) that incentive be provided for each 0.001 (0.1 *per cent*) improvement in average power factor beyond 95 *per cent* (0.950) and surcharge be levied for fall of each 0.001 (0.1 *per cent*) of average power factor below 90 *per cent* (0.900). This facility was, however, applicable only where the installation of the meters at the consumer's premises comply with the requirements of Central Electricity Authority (Installation & Operation of Meters) Regulation, 2006 which stipulated that in case of supply of electricity above 33 KV, the accuracy class of meters should be 0.2S. Wherever the meters of required specifications were not provided, the existing incentive scheme was to be continued till the meters were replaced by the Company. Pursuant to these orders, the Company issued (September 2007) a commercial order specifying amendments in provisions of tariff.

Scrutiny (September 2008) of records of High Tension (HT) billing of the Company for the period from November 2007 to July 2008 indicated that there were 19 HT consumers having sanctioned connected load of more than 25 HP (18.65 KW) and to whom the electricity was being supplied on 132 KV. Out of these 19 consumers, the Company allowed the incentive for improvement in average power factor as per amended provisions to 10 consumers though the meters installed at their premises were not compliant with the required accuracy of 0.2S. Thus, the Company extended undue benefit of power factor incentive amounting to Rs. 26.29 lakh to these consumers for the period from November 2007 to July 2008.

In reply, the Government accepted the audit observations and stated (April 2009) that the Company had made a reference to the Commission seeking directions in the matter and on receipt of the clarifications necessary action for debiting the amount would be taken. The Management subsequently intimated (June 2009) that the incentive amount was debited/credited against the consumers. However, verification of reply revealed that though the Company had debited the excess incentive passed on to these consumers yet the recovery of Rs. 31.04 lakh for the period November 2007 to June 2009 from two[*] consumers was not effected. The Company should take immediate steps to recover the undue benefit extended to consumers and fix the responsibility for the lapse.

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* Synergy Steel Limited Rs. 7,91,985 and Lords Chloro Alkali Limited Rs. 23,12,256

Rajasthan State Industrial Development and Investment Corporation Limited

4.9 Loss due to non-recovery of amount paid to Village Amenities Development Fund

Payment to Village Amenities Development Fund without recovering the same from the Honda Siel Cars India Limited led to loss of Rs. 1.74 crore to the Company.

The Government of Rajasthan (GOR), Department of Industries, with the objective to provide financial assistance to welfare projects in the affected village and to provide training and skill development facilities to the affected persons whose land was acquired, formulated (December 1995) two scheme *viz;* Village Amenities Development Fund (VADF) Scheme and Skill Development Fund (SDF) Scheme. Rajasthan State Industrial Development and Investment Corporation Limited (Company) was designated as a nodal authority for implementation of VADF scheme and was to contribute one *per cent* of total acquisition cost of Government/Private land to VADF and an equal amount was to be contributed by the GOR. Accordingly, for creation of VADF, the Company issued (April 1996) instructions to its Land Acquisition Cell that a sum equivalent to one *per cent* of total acquisition cost of Government/Private land should be included in the proposal for Administrative sanction.

Audit noticed (October 2008) that a Memorandum of Understanding (MOU) between the GOR and Honda Siel Cars India Limited (HSCIL) was executed on 3 May 2007 for setting up of Car Manufacturing Plant (CMP), Research & Development (R&D) Centre and Suppliers' Units in Rajasthan. As per MOU, the GOR undertook to allot, through the Company, about 600 acres of contiguous land (For CMP-350 acres, for R&D Centre-100 acres and for Suppliers' unit-150 acres) to HSCIL on lease for 99 years. As per MOU, HSCIL was required to pay the following amounts for the allotted land:

- an amount equal to actual cost of acquisition of 450 acres of land for CMP and R&D Centre;
- an amount equal to 115 *per cent* of the actual cost of acquisition of 150 acres of land for suppliers' units;
- lease rent at the rates applicable for industrial plots, presently Rs. 237 per acre per annum.

In terms of MOU, the Company acquired (between April 2007 and April 2008) 777.78 acres of private land for extension of Tapukara Industrial Area (Bhiwadi Unit) and paid compensation of Rs. 189.84 crore (between April 2007 and March 2008) towards acquisition of land. The Company allotted 609.64 acres of land (CMP and R&D Centre-455.43 acres and Suppliers' units-154.21 acres) to HSCIL (between May 2007 and November 2008). HSCIL and its suppliers units paid Rs. 157.82 crore to the Company towards land allotted, economic rent, lease rent *etc.* (between May 2007 and November 2008).

During scrutiny of records of the Company, audit noticed that instead of Rs. 1.91 crore *i.e.* one *per cent* of total acquisition cost towards contribution under VADF, the Company included a provision of Rs. 17 lakh only in Administrative Sanction issued (August 2007) for acquisition/development for allotment to HSCIL. Audit observed that the Company has made a payment of Rs. 1.74 crore to the District Collector, Alwar under VADF against land acquired for HSCIL without charging the same to HSCIL while working out the actual cost of acquisition.

The Management while accepting the facts stated (August 2009) that pursuant to the directions of the State Government, the Company had started making provision of one *per cent* of the total acquisition cost of Government/private land for each scheme. It further stated that sometimes private land is acquired and allotted to prestigious projects as per the directions of the State Government and in such a case no additional charge on account of VADF is levied.

The reply is not convincing as contribution towards VADF is part of direct cost of acquisition of Government/private land. Further, there was no specific direction from the State Government not to treat contribution towards VADF as part of direct cost of acquisition in this case. Hence, non-recovery of the amount contributed to VADF from the HSCIL led to a loss of Rs. 1.74 crore to the Company.

4.10 Undue benefit extended in change of land use

The Company violated its own policy for change of land use by permitting the conversion before expiry of three years and also granted extension in time limit for depositing the conversion charges without charging interest of Rs. 26.81 lakh.

Rajasthan State Industrial Development and Investment Corporation Limited (Company) is engaged in development of industrial areas and allotment of land to the entrepreneurs in the State. The Company, for allotment and use of allotted land, framed its rules namely ‘RIICO Disposal of Land Rules-1979’. Rule 20 (c) provided that change in land use of industrial plots or part thereof for commercial purpose may be allowed. An allottee of industrial plot desirous to change land use may apply to the Company, in prescribed format, after three years of allotment along with plan, utilisation proposal of plot and proposed investment. The conversion charges for change of land use would be three times of the prevailing rate of development charges of the area and required to be paid in one go for which no installment would be allowed. If an entrepreneur failed to deposit the conversion charges within a period of three months from the date of approval of change in land use, the approval will automatically lapse. In such case no further correspondence or request will be entertained by the Company for the next three years.

Audit scrutiny (December 2007 and March 2009) of the records of the Company indicated that a plot measuring 6,053 square metres (Sqm.) at Bhiwadi Industrial Area-I was transferred/allotted (7 December 2005) in the name of Jagrit Infrastructure Private Limited (entrepreneur). As per the terms and conditions, a manufacturing unit of steel fabrication and machinery items was to be established by the entrepreneur. The entrepreneur, however, before establishing the unit applied (July 2006) for change of land use of this plot from industrial to commercial. The Company in violation of its own policy for change of land use accorded (October 2006) its approval for change of land use from industrial to commercial even before three years of allotment. The entrepreneur was also directed (November 2006) to deposit Rs. four crore upto 17 January 2007, failing which the permission would automatically lapse. The entrepreneur, however, instead of depositing the conversion charges, requested (November 2006) the Company for relaxation in set-backs allowed in building plan while approving the change in land use. The Company acceded (February 2007) the request for relaxation in set-backs and accordingly informed (March 2007) the entrepreneur to deposit total conversion charges of Rs. 4.11 crore (including interest amounting to Rs. 11.34 lakh for the period 17 January 2007 to 31 March 2007). The entrepreneur, however, deposited Rs. 50 lakh only and requested (March 2007) to extend the period by another three months without interest. The Managing Director of the Company allowed (June 2007) time extension for payment of conversion charges up to 31 July 2007 without interest.

Audit observed that the Company in violation of its own policy regarding change of land use permitted conversion of land before expiry of three years and also granted extension in time limit for depositing the conversion charges. Further the Company approved the set-backs as per RIICO Disposal of Land Rules-1979, it should, therefore, have at least safeguarded its financial interest while extending benefit to the entrepreneur by charging interest of Rs. 26.81 lakh for the delayed payment (17 January to 27 July 2007 at the rate of 14 *per cent*).

The Government in its reply stated (March 2008) that as per policy, conversion charges were to be levied at current rates and the development charges of this industrial area were unchanged since the demand was issued to the entrepreneur, hence allowing time extension would not attract any financial implication to the Company *vis-a-vis* the provisions of the policy.

The reply is not convincing as the Company not only violated its own policy but also extended undue benefit to the entrepreneur by waiving of interest on delayed payment. It is also pertinent to mention here that after being pointed out by Audit, the Company has amended (April 2008) its policy and authorized the Managing Director of the Company to grant time extension upto further three months for depositing the requisite conversion charges beyond the prescribed three months period on payment of interest at the prescribed rates. The Company should evolve a system to deal with such cases as per the rules, regulations and policy thereof and not on case to case basis.

4.11 Loss due to injudicious settlement of case under One Time Settlement (OTS) Scheme

The Company, in violation of the OTS scheme, waived the principal amount and extended undue benefit of Rs. 15.29 lakh to the GCPL.

Rajasthan State Industrial Development and Investment Corporation Limited (Company) introduced (November 2007) One Time Settlement (OTS) Scheme for speedy recovery of old outstanding dues from the entrepreneurs. The loan accounts were to be settled under OTS on case to case basis by the State Level Settlement Committee (SLSC). The salient features of the scheme included that OTS amount shall be principal outstanding plus token interest to be decided by SLSC, in addition to Industrial Promotion and Infrastructure dues, which shall be paid separately. It was also envisaged that no permission shall be granted for sale of assets until entire OTS amount is received.

The Company took (April 1993) possession of the assets of RT Udyog Pvt. Ltd. (Firm)- a Mini Cement Plant at Behror Industrial Area, Alwar under Section 29 of the State Financial Corporations Act, 1951 for outstanding dues of Rs. 83.29 lakh. Instead of recovering its whole dues of Rs. 83.29 lakh through sale of assets on outright payment basis and passing on excess sale proceeds, if any, to the Firm, the Company injudiciously decided to sell the assets on deferred payment basis (April 1993) to Gauri Cement Pvt. Ltd. (GCPL), a co-promoter of the Firm, at a sale consideration of Rs. 1.52 crore. As per terms and conditions of the sale, the GCPL paid Rs. 38 lakh as down payment and the balance Rs. 1.14 crore was to be repaid in quarterly installments over a period of five years with interest at the rate of 22 *per cent* per annum compounded on quarterly basis with usual liquidity damages clause. Thus, the Company entered into fresh agreement with the co-promoter without ensuring the process of settling the excess receipt of Rs. 68.71 lakh (*i.e.* difference of Rs. 114 lakh –Rs. 45.29 lakh).

GCPL defaulted in repayment of Company's dues as per terms and conditions of the sale agreement. In the meanwhile the outstanding dues mounted (December 2007) to Rs. 19.59 crore (Principal: Rs. 1.14 crore and Interest: Rs. 18.45 crore), out of which Rs. 7.47 crore (Principal: Rs. 45.29 lakh and Interest: Rs. 7.02 crore) pertained to the share of the Company. GCPL approached (February 2007) the Company for OTS of its outstanding dues and also proposed to pay 80 *per cent* of the balance principal amount of Rs. 1.14 crore if all its liabilities towards the Company be treated as settled. The SLSC, however, rejected (May 2007) the offer of the GCPL on the grounds that the market realisable value of land itself had increased substantially. The Company decided to take over the possession of the assets to recover its dues through sale of assets. The assets of the GCPL, however, could not be taken over due to a *status quo* order from the Alipore Court, Calcutta given in the matter of settlement of excess receipts in deferred sale of assets of RT Udyog Pvt. Ltd. The fair market value of assets as assessed by the Chartered valuer and the Company itself was Rs. 1.43 crore and Rs. 1.72 crore respectively. Further the value of land was continuously increasing being located in the National Capital Region (NCR). On being again approached by the GCPL (November 2007) for OTS of its outstanding dues, the SLSC decided (February 2008) to settle the outstanding dues of GCPL for Rs. 30 lakh only against Rs. 7.47 crore, despite fair market value of assets at Rs. 1.72 crore, thus extending undue benefit in settlement of dues.

It was noticed in audit that the Company injudiciously sold assets on deferred payment to the co-promoter at first place and failed to protect its financial interest over long period of 15 years. Finally the Company settled the amount at a substantially lower price at just 4.02 *per cent* of outstanding dues. The settlement by the SLSC, at Rs. 30 lakh, when the GCPL offered higher amount earlier and despite fully knowing the facts, on the basis of which the case was rejected on earlier occasions indicates that the case was settled extending undue benefit of Rs. 15.29 lakh on principal amount. The settlement did not recover even the principal amount and was much below the fair market value of assets which were located in NCR. Thus, the sale of assets on deferred basis as well as settlement of dues at Rs. 30 lakh without recovering even principal amount was irregular as well as injudicious.

The Government stated (May 2009) that the settlement was considered appropriate as there were multiple litigations right from the beginning and in some of the cases RIICO was also made party. Mini cement sector on the whole did not fare well in the State and in most of the cases recovery had to be made in terms of the settlement scheme. It further stated that the Company recovered an amount of Rs. 38 lakh immediately at the time of sale of assets to GCPL and against interest bearing portion of Rs. 45.29 lakh it further recovered a sum of Rs. 34.87 lakh towards interest time to time. The additional payment of Rs. 30 lakh under OTS covered the liability due from the Firm.

The reply is not convincing as the Company violated its own policy to recover the principal outstanding plus token interest under OTS. The Company should adhere to its policy/rules/regulations related to OTS and also watch its financial interest while settling the cases in OTS. The Company should realise its own dues on immediate cash basis instead of selling the same to the co-promoters who had already defaulted and created unnecessary litigations.

Rajasthan Small Industries Corporation Limited

4.12 Loss due to allotment of counter without execution of agreement

The Company sustained a loss of Rs. 62.14 lakh due to non-execution of agreement, before handing over the possession of the counter and non-deposit of full security deposit.

The Rajasthan Small Industries Corporation Limited (Company) invited (February 2007) tenders for allotment of earmarked 450 square feet (sq. ft.) space, in the basement of newly constructed building of Rajasthali emporium at Jaipur, for sale of precious and semi-precious jewellery (Counter) for a period of two years on minimum sales guaranteed (MSG) basis. The Company allotted (April 2007) the counter to Laroc International (Firm), whose offer for MSG was Rs. 4.41 crore, for a period of two years at a commission of 22.5 *per cent* and license fee of Rs. 25 per sq. ft. per month. As per the terms and conditions of tender document and allotment letter, the Firm, besides executing an agreement, was required to deposit six months commission on MSG (60 *per cent* in cash/demand draft and 40 *per cent* in the form of bank guarantee) and also six months license fees as security deposit. Allotment letter also stipulated that in case of non-execution of agreement and inadequate security deposit, permission to start sale on counter would not be accorded.

Scrutiny of records (January 2009) of the Company indicated that against security deposit of Rs. 26.52 lakh, the firm deposited (April 2007) Rs. 15 lakh only and requested the General Manager of the Company to treat the commencement date from 16 May 2007 instead of 16 April 2007 as the firm required time to deposit the required amount as well as to prepare itself by arranging required material for sale. The Company agreed (24 April 2007) to treat commencement date as 1 May 2007. Audit further noticed that the Manager, Rajasthali emporium handed over (16 June 2007) possession of 1,146 sq. ft. space to the Firm though no agreement was executed by the Firm and full security deposit was not deposited. Thus, the Firm was given undue favour without adequately protecting the Company's interest.

Audit observed that the security deposited by the Firm was hardly enough to cover monthly commission and license fees of Rs. 4.42 lakh for four months period. Despite repeated correspondence made by the Company to execute the agreement and also to deposit the shortfall in the security deposit, the firm, instead of depositing the shortfall in security deposit and executing the agreement, started representing (August 2007) that MSG had been imposed on it as all other counter holders were not bound by this clause. The Firm also alleged that it could not achieve the MSG due to poor footfalls of tourists as well as not bringing tourists of Palace on Wheel to the emporium *etc.* for which no commitment was made in the terms and conditions of tender by the Company.

Despite non-adhering to the terms and conditions of the allotment and raising dispute on various grounds by the Firm, the Company failed to take timely action for vacation of the counter and irregularly allowed occupation of the counter upto March 2009. The total outstanding accumulated to Rs. 62.14 lakh after adjusting the security deposit and other retention money of Rs. 46.36 lakh by March 2009. The firm left (March 2009) the premises without clearing the outstanding dues of Rs. 62.14 lakh and served legal notice for adjusting Rs. 46.36 lakh and invoking arbitration in terms of tender conditions.

Thus, the Company lost revenue of Rs. 62.14 lakh due to inadequate security deposit, non-execution of agreement and delay in getting the counter vacated despite failure of the Firm to comply with the terms and conditions of tender. Moreover it could not protect its interest and landed itself into avoidable litigation jeopardizing its financial interest in the absence of legal enforceable agreement. The Company needs to fix responsibility for the lapse in handing over the possession of counter without entering into agreement and obtaining requisite security deposit.

The matter was reported to the Government/Management (July 2009) and their replies were awaited (September 2009).

Rajasthan State Mines and Minerals Limited

4.13 Loss due to faulty agreement for sale of limestone

The Company sustained a loss of Rs. 2.41 crore due to faulty agreement.

Rajasthan State Mines and Minerals Limited (Company) entered (November 2004) into a long term agreement with Grasim Industries Limited (Grasim) for supply of 1.50 lakh metric tonne (MT) of white cement grade limestone per annum keeping an average quarterly quantity of 37,500 MT. The price per MT was fixed at Rs. 82 per MT exclusive of royalty and all other statutory levies which were to be charged on actual basis. The price was effective from 1 April 2004 for an initial period of one year and thereafter a general escalation of two *per cent* on prevailing sales price every year was also provided in the agreement.

The Company awarded (July 2004) the work of raising of the three lakh MT per annum limestone from its mines at Gotan to Jai Bhairav Shramik Teka Sahakari Samiti (Contractor), for a period of three years from March 2004 to March 2007, at a rate of Rs. 56.70 per MT with the usual provision for escalation of diesel prices.

Scrutiny (April 2009) of records of the Company indicated that the estimated total cost of raising limestone stood at Rs. 95.88[•] and Rs. 99.06[Π] per MT as against the sale price fixed at Rs. 82 and Rs. 84 per MT, for the years 2004-05 and 2005-06 respectively, leaving an unfilled gap of Rs. 13.88 and Rs. 15.06 per MT during that period excluding the diesel price escalation.

It was also noticed that in the new contract (August 2007) of raising of limestone, the direct cost increased from Rs. 56.70 per MT inclusive of explosive cost to Rs. 101.92 per MT as against sale price of Rs. 88 per MT leaving a gap of Rs. 13.92 per MT even in the recovery of direct cost for the year 2007-08.

Audit noticed that the estimated total cost of raising limestone for supplying to Grasim worked out to Rs. 159.14 per MT as against the sale price of Rs. 88 per MT for the year 2007-08. The Company, however, did not take any action either to renegotiate the price as it was not able to recover the direct cost or to

• The work of raising limestone awarded to the Contractor @ Rs. 56.70 per MT + the overhead expenditure (other than the direct cost of raising lime stone) which was Rs. 39.18 per MT.

Π The work of raising limestone awarded to the Contractor @ Rs. 56.70 per MT + the overhead expenditure (other than the direct cost of raising lime stone) which was Rs. 42.36 per MT.

invoke Clause 11 for termination of the agreement. Thus, the Company incurred a loss of Rs. 36.36 lakh* due to under recovery of direct cost during 2007-09, while loss due to under recovery of the unit overheads was Rs. 2.05 crore** during 2004-09.

Audit observed that the decision of the Company to accept the general escalation ceiling at the rate of two *per cent* per annum was against the financial interest of the Company, particularly when the Company had entered into the long term contract at much below its cost and inflation in consumer price index itself had ranged between five *per cent* to 16 *per cent* during last seven years. The Company had no cushion in the form of profits, which could take care of cost increase.

Thus, due to entering into injudicious contract, which was not only unviable and loss making right from the beginning but also did not contain sufficient provision for protecting financial interest of the Company, resulted in loss of Rs. 2.41 crore during the period 2004-09.

The Government stated (July 2009) that the market of white cement grade limestone was competitive and the sale was governed by the market conditions, as such the consumers have got an upper hand because of plenty of suppliers in the market. Thus, the Company considered it appropriate to enter into a long term agreement with Grasim Industries Limited as it could not dictate its terms and conditions to the buyers of white cement grade limestone. It further stated that the Company also got reimbursed the amount of service tax and land tax imposed by the Government of India/State Government despite not provided in the agreement.

The reply is not convincing as the Company did not protect its financial interest while entering into long term agreement for supply of limestone. Further, as regards to reimbursement of service tax/land tax, the agreement clearly stipulated that the prices are exclusive of royalty and all other statutory levies and to be charged on actual basis.

The Company should have made adequate provision for increase in price based on relevant price index as against two *per cent* per annum included in the agreement and also provided for a cushion in the form of profit while entering into long term agreement. The Company also needs to take timely action to invoke the clause of the agreement to protect its financial interest.

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* Direct cost: 93,571.94 MT x Rs. 13.92 per MT for the supplies during the period September 2007 to March 2008 plus 1,95,728.32 MT x Rs. 11.92 per MT for 2008-09

** Overhead: 2004-05:1,58,445.71 MT x Rs. 13.88 per MT, 2005-06: 1,60,059.49 MT x Rs. 15.06 per MT, 2006-07: 1,09,160.63 MT x Rs. 26.12, 2007-08: 26,036.51 MT x Rs. 25.92 per MT for the supplies made during April 2007 to August 2007 plus 93,571.94 MT x Rs. 57.22 per MT for the supplies during the period September 2007 to March 2008 plus 1,95,728.32 MT x Rs. 35.66 per MT for 2008-09.

4.14 Loss due to non-recovery of royalty at enhanced rate

Non-recovery of royalty at enhanced rate on the sale of limestone in respect of the open market sale led to loss of Rs. 28.93 lakh.

Rajasthan State Mines and Minerals Limited (Company) sells limestone produced at Gotan (Jodhpur) to various parties as open market sales. During the year 2006-07, the Company had fixed ex-mine open market selling price limestone (Lumps) at Rs. 156 per metric tonne (MT) which included royalty (Rs. 45 per MT), cess and land tax but was exclusive of sales tax/Value Added Tax (VAT).

Scrutiny (April 2009) of records of the Company indicated that Government of Rajasthan had increased the rate of royalty, recoverable on sale of limestone, from existing rate of Rs. 45 per MT to Rs. 55 per MT from 6 September 2007. However, the Company sold 2,89,264.3 MT of limestone in open market and paid royalty of Rs. 1.59 crore without recovering the increased rate of royalty from 6 September 2007 to 28 February 2009. The Company was required to recover the statutory increase in the rate of royalty by revising sale price for open market sale as it is the usual practice to pass on all increases in Government levy to the buyer.

Thus, defective system of determining the sale price inclusive of royalty, other statutory duties and indecision of the management to recover royalty at enhanced rate led to loss of Rs. 28.93 lakh on sale of limestone in open market.

The Government stated (August 2009) that the rates of royalty for chemical grade limestone and cement grade limestone were different *i.e.* Rs. 55 and Rs. 45 per MT respectively. Accordingly, the effective sale prices of both these grades were also different *viz;* Rs. 156 and Rs. 146 per MT during 2007-08 (upto August 2007). It further stated that the production at Gotan was commenced after 15 September 2007 when the rates of royalty for both the grades were Rs. 55 per MT and their selling price was equal *i.e.* Rs. 186 per MT.

The reply is not relevant as the sale price of the limestone was increased in August 2007 whereas the notification issued for enhancing the royalty by Rs. 10 was issued on 6 September 2007 and was effective from the same date. Further, the invoices furnished in support to the reply were not admissible as both invoices were for chemical grade limestone and the difference in rates was because of inclusion of loading charges in one invoice while the same was excluded in another invoice and not because of different royalty as claimed in reply. Moreover, the notification issued by the Government did not differentiate the rates of royalty as per the grade of limestone.

4.15 Avoidable payment to the sampling contractor

Despite reduction in scope of work of the Sample Analyst and enabling provision in the contract, the Company made avoidable payment of Rs. 14.37 lakh.

Rajasthan State Mines and Minerals Limited (Company) supplies steel grade limestone to Steel Authority of India (SAIL) at its five plants located at Bhilai, Durgapur, Rourkela, Bokaro and Burnpur. Pursuant to the requirements of the purchase order placed by SAIL, the Company was required to analyse the material at loading point before loading and during the process of loading and submit the analysis report for both chemical and size. The Company awarded (March 2006) the work of sampling for chemical and size analysis of steel grade limestone at the loading points and at unloading destination points of steel plants of SAIL to Mitra S.K. Private Limited (Sampling Analyst) for a period of 3 years which could be extended for another one year on the same terms and conditions. The rate for joint sampling, size and chemical analysis, weighment supervision, follow up action for payment at the plants located at Bhilai and Rourkela, where auto sampler[*] was installed, was Rs. 4.55 per MT. The rate for the plants located at Durgapur, Bokaro and Burnpur, where auto samplers were not installed, was Rs. 2.65 per MT.

Audit scrutiny of records (April 2009) indicated that the Company entered (May 2008) into a Memorandum of understanding (MOU) with SAIL for supply of steel grade limestone for a period of 10 years. Accordingly, SAIL placed (June 2008) a purchase order on the Company for supply of steel grade limestone. As per the MOU, the SAIL had revised the provision for sampling and size analysis making sampling and size analysis at loading point as final in all the cases, where even auto samplers were installed at plants *i.e.* Bhilai and Rourkela with effect from 1 July 2008.

Audit observed that under the new agreement, the requirement of sampling at destination points was dispensed with and sampling analysis at loading point was considered as final for payments for all the plants including Bhilai and Rourkela plants. Thus, the scope of work for these two plants was changed to match with the plants at Durgapur, Bokaro and Burnpur. The Company, however, instead of revising the rates of the Sampling Analyst in line with the Durgapur, Bokaro and Burnpur plant continued to make payment at Rs. 4.55 per MT instead of Rs. 2.65 per MT.

Thus, the Company made avoidable payment of Rs. 14.37 lakh during the period from July 2008 to April 2009 in respect of Bhilai and Rourkela plants despite reduction in scope of work of the Sample Analyst and enabling provision in the contract.

The Government stated (August 2009) that every new process requires gestation period as such the procedure under old purchase order was continued till establishment of new process as well as the purchasers' faith in

* Equipment for sampling and size analysis and chemical analysis to determine CaO, MgO, SiO_2, $A1_2O_3$ and Fe_2O_3.

new process. It further stated that it was practically not possible to modify the terms and conditions of the contract for a short period, hence, the payment to the contractor was made as per prevailing terms and conditions of the contract.

The reply is not convincing as there was no new process involved and similar provisions have already been included in the contract for supply of limestone at plants located at Durgapur, Bokaro and Burnpur. Further SAIL had already been accepting the sampling and size analysis of loading points for these plants.

The Company should evolve a system of internal control so that immediate action could be taken for revision in scope of work with the change in scope of work in other related contracts.

Rajasthan State Road Development and Construction Corporation Limited

4.16 Accumulation of dues from sundry debtors

In absence of effective system of billing and follow up for recovery, the dues from sundry debtors for completed works accumulated to the tune of Rs. 19.96 crore.

Rajasthan State Road Development and Construction Corporation Limited (Company) is engaged in construction of roads, bridges, buildings, flyovers *etc.* These works are either secured on competitive tender basis or on cost plus fixed centage charges basis allotted by the State Government and other agencies. The Company is also empowered to undertake the construction and subsequent maintenance of the existing projects executed by the State Government from its funds and retains the right of levy and collection of toll/service charges on such projects.

Scrutiny of records (May 2009) indicated that share of old outstanding dues from sundry debtors for works done by the Company has been rising continuously over the last few years. Audit noticed that as on 31 March 2008, the total outstanding sundry debtors for works for more than six months were to the tune of Rs. 19.96 crore. An analysis of outstanding sundry debtors pertaining to various works showed that out of total Rs. 19.96 crore, Rs. 17.14 crore (representing 85 *per cent* of total sundry debtors for works) were outstanding for more than five years. It was also noticed that the said works had already been completed long back but the client departments did not clear the dues of the Company. It was observed that in last three years no amount was recovered. The accumulation of sundry debtors can be attributed to undertaking extra work without proper authorization from the client departments, non-issue of revised administrative and financial sanction for the related works, delay in completion of works, disputes regarding quality of works, non-rectification of shortcomings pointed out by the client departments *etc.* apart from lack of adequate and proper documentation to pursue its claims.

Audit observed that despite accumulation of sundry debtors for completed works, the Company did not evolve any mechanism to effectively control the continuous rising trend of sundry debtors. The system of billing and follow up for recovery was ineffective and the level of pursuance with controlling authorities was poor. Further, there was no system of periodical reconciliation as well as confirmation of dues from the client departments. The Company neither devised any workable system nor laid down any norms for effecting timely recovery from the sundry debtors which became more than six months old. Further the defective system of management of dues was prevailing continuously for long time without being rectified or improved, despite concern being shown at the highest level by the Audit Committee of Board of Directors on various occasions.

Thus, failure of the management to improve the system of recovery may lead to possibility of losses by way of writing off as well as carrying cost of sundry debtors in terms of interest of Rs. two crore per annum. The Company should devise internal control mechanism for proper billing and effecting recovery of dues *vis-à-vis* to avoid undertaking works without proper authorisation, timely completion of works and issuance of revised administrative and financial sanction wherever required.

The matter was reported to the Government/Management (June 2009) and their replies were awaited (September 2009).

Rajasthan Tourism Development Corporation Limited

4.17 Unviable decision to operate Heritage on Wheels

The Company sustained a loss of Rs. 1.40 crore on operation of "Heritage on Wheels".

Rajasthan Tourism Development Corporation Limited (Company) is engaged in rail tourism in joint venture with Indian Railways. Consequent to the Indian Railways according approval for running a Meter Gauge Luxury Tourist Train the Company decided (August 2005) to run a train namely 'Heritage on Wheels' (HOW). The Company executed (February 2006) a Memorandum of Understanding (MOU) with Indian Railways according to which the itinerary[*] of the train HOW was decided with stipulation that operational feasibility would be reviewed at the end of the first season in May 2006. The revenue sharing ratio between the Indian Railways and the Company was 56:44 respectively.

The Company determined the financial viability of operating the train by working out the break-even point (BEP *i.e.* No profit – No loss level) at

* Jaipur-Bikaner-Tal Chhapar (Padhiyar)-Nawalgarh-Jaipur

18 passengers (total capacity: 104 passengers) per tour. The Company estimated the variable cost at Rs. 3,100 per passenger and fixed cost at Rs. 1,21,000 per tour for working out the BEP on the basis of tariff on double occupancy less commission of General Sales Agents/marketing agents.

The train remained operated continuously during a period spread over four seasons upto 2 January 2009 and thereafter it was stopped due to commencement of gauge conversion work. During the first season (February 2006 to April 2006), the Company operated 11 tours carrying on an average six passengers per tour utilising only 5.77 *per cent* of its total capacity and incurred loss of Rs. 29.25 lakh. Audit observed that the Company, while assessing the financial viability of the train, did not assess the variable cost correctly as the same was significantly higher at Rs. 6,604 for the first season as against estimated variable cost of Rs. 3,100. Fixed cost was also substantially higher ranging from Rs. 1,89,000 to 2,36,000 as against estimated fixed cost of Rs. 1,21,000 per tour. It was further noticed that the capacity of train on double occupancy was only 72 passengers as against estimated capacity of 104 passengers, thus substantially underestimating the BEP level which was deciding factor for arriving at financial viability of the train.

The Company operated 98 tours carrying average of 22 passengers per tour in next three seasons. The capacity utilisation remained very low ranging between 14.21 and 25.41 *per cent*. Thus, the Company suffered heavy financial losses of Rs. 139.87 lakh (2006-07: Rs. 75 lakh, 2007-08: Rs. 37.03 lakh and 2008-09: Rs. 27.84 lakh). It was noticed that the Company did not carry out the financial viability for running the HOW at the end of the first season in May 2006, though losses were incurred in the first season itself. Further, due to ongoing unigauge programme of the Railways the availability of the HOW was very short and uncertain. Despite knowing these vital facts, the Company failed to correctly assess variable cost per tour per passenger and fixed cost which resulted in erroneous financial viability and lower BEP level. Thus, continuous operation of the train led to loss of Rs. 1.40 crore due to incorrect assessment of financial viability at first place and non review of the same subsequently.

The Government replied (August 2009) that whenever a new product is launched in the market it takes some time to achieve the optimum level of appreciation.

The reply does not address the core issue. It was known to the Company that the train was available only for two years. The Company failed to work out correct financial viability and the BEP level. The Company should have worked out the variable cost and fixed cost on a realistic basis and should have avoided operation of train below the BEP as it was not a long term project.

General Paragraph

4.18 Opportunity to recover money ignored

10 Public Sector Undertakings neither seized the opportunity to recover their money nor pursue the matters to their logical end. As a result, recovery of Rs. 8.25 crore remains doubtful.

A review of unsettled paras from Inspection Reports (IRs) pertaining to periods upto 2003-04 showed that there were 27 paras in respect of 10 Public Sector Undertakings (PSUs) involving a recovery of Rs. 8.25 crore. As per the extant instructions of the State Government given in May 1997*, the PSUs are required to take remedial action within one month after receipt of IRs from Audit. However, no effective action has been taken to take the matters to their logical end, *i.e.*, to recover money from the concerned parties. As a result, these PSUs did not avail the opportunity to recover their money which could have augmented their finances.

PSU wise details of paras and recovery amount are given below. The list of individual paras is given in **Annexure-12**.

(Rupees in crore)

Sl. No.	**Name of Public Sector Undertaking**	**No. of paras**	**Amount for Recovery**
1.	Rajasthan Financial Corporation	14	4.69
2.	Rajasthan State Agro Industries Corporation Limited	1	1.03
3.	Rajasthan State Handloom Development Corporation Limited	1	1.19
4.	Rajasthan State Mines and Minerals Limited	1	0.66
5.	Rajasthan State Industrial Development and Investment Corporation Limited	3	0.33
6.	Rajasthan State Road Development and Construction Corporation Limited	1	0.17
7.	Ajmer Vidyut Vitran Nigam Limited	1	0.11
8.	Rajasthan Rajya Vidyut Prasaran Nigam Limited	1	0.05
9.	Rajasthan Tourism Development Corporation Limited	3	0.01
10.	Rajasthan Small Industries Corporation Limited	1	0.01
	Total	**27**	**8.25**

The paras mainly pertain to dues from debtors, recovery from loanee against dues of principal/interest/deficit amount and recovery of service charges, development charges from entrepreneurs *etc*.

Above cases point out the failure of respective PSU authorities to safeguard their financial interests. Audit observations and their repeated follow up by

* Letter No.: State Government, Finance Department (Audit Section) F.12(5)Fin./Audit/97 Dated 15.5.97

Audit, including bringing the pendency to the notice of the Administrative/Finance Department and PSU Management periodically, have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to recover the money and complete the exercise in a time bound manner.

The matter was reported to the Government/Management (July 2009) and their replies were awaited (September 2009).

4.19 Lack of remedial action on audit observations

Three Public Sector Undertakings did not take remedial action to address the deficiencies pointed out in audit.

A review of unsettled paras from Inspection Reports (IRs) pertaining to periods upto 2003-04 showed that there were three paras in respect of three Public Sector Undertakings (PSUs), which pointed out deficiencies in the functioning of these PSUs. As per the extant instructions given by State Government May 1997*, the PSUs are required to take remedial action within one month after receipt of IRs from Audit. However, no effective action has been taken to take the matters to their logical end, *i.e.*, to take remedial action to address these deficiencies. As a result, these PSUs have so far lost the opportunity to improve their functioning in this regard.

PSU wise details of paras are given below. The list of individual paras is given in **Annexure-13**.

Sl. No.	PSU Name	No. of paras
1.	Rajasthan Small Industries Corporation Limited	1
2.	Rajasthan State Seeds Corporation Limited	1
3.	Rajasthan State Industrial Development and Investment Corporation Limited	1
	Total	**3**

The paras mainly pertain to expenditure incurred in excess of estimated cost without obtaining approval of the competent authority, procurement of seed without required test and inaction in removing encroachment from industrial area *etc*.

Above cases point out the failure of respective PSU authorities to address the specific deficiencies and ensure accountability of their staff. Audit observations and their repeated pursuance by Audit, including bringing the pendency to the notice of the Administrative/Finance Department and PSU

* Letter No.: State Government, Finance Department (Audit Section) F.12(5)Fin./ Audit/97 Dated 15.5.97

Management periodically in the Audit Committee Meetings, have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to take remedial action on these paras and complete the exercise in a time bound manner.

The matter was reported to the Government/Management (July 2009) and their replies were awaited (September 2009).

4.20 Follow-up action on Audit Reports

4.20.1 Replies outstanding

The Report of the Comptroller and Auditor General of India represents the culmination of the process of audit scrutiny starting with initial inspection of accounts and records maintained in various offices and departments of the Government. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Finance Department, Government of Rajasthan issued (July 2002) instructions to all Administrative Departments to submit replies, duly vetted by Audit, indicating the corrective/remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports within three months of their presentation to the Legislature.

Though the Audit Report for the year 2007-08 was presented to State Legislature in February 2009, in respect of one performance review and five draft paragraphs out of five performance reviews and 22 draft paragraphs, which were commented in the Audit Report, two[*] departments had not submitted explanatory notes up to September 2009.

4.20.2 Response to Inspection Reports, Draft Paras and Performance Audit

Audit observations noticed during audit and not settled on the spot are communicated though Inspection Reports (IRs) to the Heads of respective Public Sector Undertakings (PSUs) and concerned departments of the State Government. The Heads of PSUs are required to furnish replies to the IRs through the respective Heads of the departments within a period of six weeks. A half yearly report is sent to Principal Secretary/Secretary of the department in respect of pending IRs to facilitate monitoring of the audit observations contained in those IRs.

Inspection Reports issued up to March 2009 pertaining to 22 PSUs disclosed that 2,114 paragraphs relating to 645 IRs involving monetary value of Rs. 1,981.71 crore remained outstanding at the end of September 2009. Even initial replies were not received in respect of 154 paragraphs of 10 PSUs. Sector-wise break up of IRs and audit observations as on 30 September 2009 is given in **Annexure-14**. In order to expedite settlement of outstanding paragraphs, Audit Committees were constituted in 13 out of 29 PSUs. 28 Audit Committee meetings were held during 2008-09 wherein position of outstanding paragraphs was discussed with executive/administrative departments to ensure accountability and responsiveness.

Similarly, draft paragraphs and performance audit on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. Both the performance audits have been discussed in the Exit Conference. It was, however, observed that 13 draft paragraphs forwarded to various departments

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* Industries (one draft paragraph and one general paragraph) and Mines (three draft paragraphs and one general paragraph).

between June and August 2009, as detailed in **Annexure-15** had not been replied to so far (September 2009).

It is recommended that the Government may ensure that: (a) procedure exists for action against the officials who fail to send replies to inspection reports/draft paragraphs/reviews and ATNs to recommendations of COPU, as per the prescribed time schedule; (b) action to recover loss/outstanding advances/overpayments is taken within a prescribed period and (c) the system of responding to the audit observations is revamped.

JAIPUR **(MEERA SWARUP)**
The Accountant General
(Commercial and Receipt Audit), Rajasthan

Countersigned

NEW DELHI **(VINOD RAI)**
The Comptroller and Auditor General of India

Annexure – 1
(Referred to in paragraphs 1.7 & 1.8)
Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2009 in respect of Government companies and Statutory corporations)

(Figures in column 5 (a) to 6 (d) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
A. Working Government Companies													
AGRICULTURE & ALLIED SECTOR													
1	Rajasthan State Seeds Corporation Limited	Agriculture	28-Mar-78	6.33	1.04	0.21	7.58	-	-	-	-	-	240
Sector wise total				**6.33**	**1.04**	**0.21**	**7.58**	**0**	**0**	**0**	**0**		**240**
FINANCE SECTOR													
2	Rajasthan State Handloom Development Corporation Limited	Industries	3-Mar-84	5.60	-	0.55	6.15	15.24	-	1.87	17.11	2.78 : 1 (2.77 : 1)	147
3	Rajasthan Small Industries Corporation Limited	Industries	3-Jun-61	5.14	0.27	0.05	5.46	1.02	-	-	1.02	0.19 : 1 (0.21 : 1)	302
Sector wise total				**10.74**	**0.27**	**0.60**	**11.61**	**16.26**	**0**	**1.87**	**18.13**		**449**
INFRASTRUCTURE SECTOR													
4	Rajasthan State Industrial Development and Investment Corporation Limited	Industries	28-Mar-69	210.19	-	-	210.19	6.72	-	116.85	123.57	0.59:1 (0.12:1)	1110
5	Rajasthan State Road Development and Construction Corporation Limited	Construction	8-Feb-79	10.00	-	-	10.00	-	-	20.05	20.05	2 : 1 (2.52 :1)	315
6	Rajasthan Urban Infrastructure Finance and Development Corporation Limited	Local Self Government	1-Dec-04	3.00	-	-	3.00	-	-	-	-	-	17
Sector wise total				**223.19**	**0**	**0**	**223.19**	**6.72**	**0**	**136.9**	**143.62**		**1442**
MANUFACTURE SECTOR													
7	Barmer Lignite Mining Company Limited (subsidiary Joint Company of Sl.No. A(10))	Mines	19-Jan-07	-	-	20.00	20.00	-	-	75.78	75.78	3.79 : 1 (1.30 : 1)	NA
8	Rajasthan State Beverages Corporation Limited	Finance	24-Feb-05	2.00	-	-	2.00	-	-	-	-	-	138
9	Rajasthan State Ganganagar Sugar Mills Limited	Finance	1-Jul-56	3.60	-	0.05	3.65	-	-	-	-	-	1887
10	Rajasthan State Mines and Minerals Limited (Government company since June 1973)	Mines	7 May 1947	77.54	-	0.01	77.55	-	-	13.76	13.76	0.18 : 1 (0.26 : 1)	1855
11	Rajasthan State Petroleum Corporation Ltd. (subsidiary of Sl No. A(10))	Mining and Petroleum	10-Jul-08	-	-	0.10	0.10	-	-	-	-	-	NA
Sector wise total				**83.14**	**0**	**20.16**	**103.30**	**0**	**0**	**89.54**	**89.54**		**3880**

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of Incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Man-power (No. of employ-ees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
POWER SECTOR													
12	Rajasthan Renewable Energy Corporation Limited	Energy	6-Apr-95	12.94	-	-	12.94	-	-	80.19	80.19	6.20 : 1 (7.03 : 1)	64
13	Rajasthan Rajya Vidyut Utpadan Nigam Limited	Energy	19-Jun-00	3822.59	-	-	3822.59	138.07	-	5854.50	5992.57	1.57 : 1 (1.82 : 1)	3531
14	Rajasthan Rajya Vidyut Prasaran Nigam Limited	Energy	19-Jun-00	1104.00	-	-	1104.00	307.79	-	3188.64	3496.43	3.17 : 1 (2.97 : 1)	8284
15	Jaipur Vidyut Vitran Nigam Limited	Energy	19-Jun-00	713.00	-	-	713.00	614.19	-	3813.10	4427.29	6.21 : 1 (5.40 : 1)	17890
16	Jodhpur Vidyut Vitran Nigam Limited	Energy	19-Jun-00	548.00	-	-	548.00	472.53	-	2304.35	2776.88	5.07 : 1 (4.06 : 1)	10986
17	Ajmer Vidyut Vitran Nigam Limited	Energy	19-Jun-00	635.50	-	-	635.50	533.92	-	2404.33	2938.25	4.62 : 1 (3.63 : 1)	15204
18	Chhabra Power Limited (Subsidiary of Sl. A (13))	Energy	22-Nov-06	-	-	0.05	0.05	-	-	-	-	-	NA
19	Giral Lignite Power Limited (Subsidiary of Sl. A (13))	Energy	23-Nov-06	-	-	0.05	0.05	-	-	-	-	-	NA
20	Dholpur Gas Power Limited (Subsidiary of Sl. A (13))	Energy	22-Nov-06	-	-	0.05	0.05	-	-	-	-	-	NA
Sector wise total				**6836.03**	**0**	**0.15**	**6836.18**	**2066.50**	**0**	**17645.11**	**19711.61**		**55959**
SERVICE SECTOR													
21	Rajasthan Civil Aviation Corporation Limited	Tourism and Civil Aviation	20-Dec-06	1.87	-	-	1.87	2.62	-	-	2.62	1.4 : 1	15
22	Jaipur City Transport Services Limited	Local Self Government	6-Feb-08	1.00	-	-	1.00	-	-	-	-	-	NA
23	Kota City Transport Services Limited	Local Self Government	22-Dec-06	0.10	-	-	0.10	-	-	-	-	-	NA
24	Rajasthan State Hotels Corporation Limited	Tourism	7-Jun-65	1.62	-	-	1.62	0.10	-	-	0.10	0.06 : 1 (0.06 :1)	81
25	Rajasthan Tourism Development Corporation Limited	Tourism	24-Nov-78	18.45	-	-	18.45	-	-	17.20	17.20	0.93 : 1 (0.54 : 1)	1172
Sector wise total				**23.04**	**0**	**0**	**23.04**	**2.72**	**0**	**17.20**	**19.92**		**1268**

Sl. No	Sector & Name of the Company	Name of the Department	Month and year of Incorpo-ration	Paid-up Capital[$]				Loans[**] outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
MISC.													
26	Rajasthan Jal Vikas Nigam Limited	Ground Water Department	25-Jan-84	1.27	-	-	1.27	-	-	-	-	-	36
Sector wise total				**1.27**	**0**	**0**	**1.27**	**0**	**0**	**0**	**0**		**36**
Total A (All sector wise working Government companies)				**7183.74**	**1.31**	**21.12**	**7206.17**	**2092.20**	**0**	**17890.62**	**19982.82**		**63274**
B. Working Statutory corporations													
FINANCE SECTOR													
1	Rajasthan Financial Corporation	Industries	17-Jan-55	63.71	-	22.82	86.53	30.60		727.10	757.70	8.76 :1 (8.71 : 1)	851
Sector wise total				**63.71**	**0**	**22.82**	**86.53**	**30.60**	**0.00**	**727.10**	**757.70**		**851**
SERVICE SECTOR													
2	Rajasthan State Warehousing Corporation	Agriculture	30-Dec-57	3.93	-	3.92	7.85	-	-	-	-	-	462
3	Rajasthan State Road Transport Corporation	Transport	1-Oct-64	193.23	26.83		220.06	-	-	210.24	210.24	0.96 : 1 (0.68 : 1)	20615
Sector wise total				**197.16**	**26.83**	**3.92**	**227.91**	**0**	**0**	**210.24**	**210.24**		**21077**
Total B (All sector wise working Statutory corporations)				**260.87**	**26.83**	**26.74**	**314.44**	**30.60**	**0**	**937.34**	**967.94**	**0**	**21928**
Grand Total (A + B)				**7444.61**	**28.14**	**47.86**	**7520.61**	**2122.80**	**0**	**18827.96**	**20950.76**		**85202**
C. Non working Government companies													
AGRICULTURE & ALLIED													
1	Rajasthan State Agro Industries Corp. Limited	Agriculture	1-Aug-69	6.01	-	-	6.01	0.49	-	2.00	2.49	0.41 : 1 (0.40 : 1)	NA
2	Rajasthan State Dairy Development Corp. Limited	Dairy	31-Mar-75	0.16	2.72	-	2.88	-	-	-	-	-	NA
Sector wise total				**6.17**	**2.72**	**0**	**8.89**	**0.49**	**0**	**2.00**	**2.49**		**0**

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of Incorpo-ration	Paid-up Capital[$]				Loans[**] outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
MANUFACTURE SECTOR													
3	Hi-Tech Precision Glass Limited	Finance	18-Mar-63	0.08	-	-	0.08	0.11	-	-	0.11	1.45 : 1 (1.45 : 1)	NA
4	Rajasthan Electronics Limited(Subsidiary of Sl. A(4))	Electronics	23-Jan-85	-	-	0.30	0.30	-	-	1.88	1.88	6.26 : 1 (6.26 : 1)	2
Sector wise total				**0.08**	**0**	**0.30**	**0.38**	**0.11**	**0**	**1.88**	**1.99**		**2**
Total C (All sector wise non working Government Companies)				6.25	2.72	0.30	9.27	0.60	0	3.88	4.48	-	2
Grand Total (A + B + C)				**7450.86**	**30.86**	**48.16**	**7529.88**	**2123.40**	**0**	**18831.84**	**20955.24**		**85204**

Above includes Section 619-B company at Sl. No. 22

$ Paid-up capital includes share application money.

** Loans outstanding at the close of 2008-09 represent long-term loans only.

Annexure - 2
(Referred to in paragraph 1.15)
Summarised financial results of Government companies and Statutory corporations for the latest year for which account were finalised

(Rupees in crore)

Sl. No.	Sector & Name of the Company	Period of accounts	Year in which finalised	Net profit(+) / Loss(-): Net profit/ loss before interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of accounts comments	Paid up capital	Accumu-lated Profit (+)/ Loss (-)	Capital employed	Return on capital employed	Percen-tage return on capital employed
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6	7	8	9	10	11	12
A. Working Government Companies														
AGRICULTURE & ALLIED														
1	Rajasthan State Seeds Corporation Limited	2008-09	2009-10	9.17	2.24	1.24	5.69	135.65	Profit overstated by Rs. 2.54 crore	7.58	36.78	67.76	7.93	11.70
Sector wise total				**9.17**	**2.24**	**1.24**	**5.69**	**135.65**		**7.58**	**36.78**	**67.76**	**7.93**	
FINANCE SECTOR														
2	Rajasthan State Handloom Development Corporation Limited	2008-09	2009-10	0.56	2.02	0.02	-2.60	9.24	Account under audit	6.15	48.91	-25.34	-0.58	-
3	Rajasthan Small Industries Corporation Limited	2008-09	2009-10	-4.31	3.28	0.65	-8.24	89.32	Comment under finalisation	5.46	-1.60	13.92	-4.97	-
Sector wise total				**-3.75**	**5.30**	**0.67**	**-10.84**	**98.56**		**11.61**	**47.31**	**-11.42**	**-5.55**	**0**
INFRASTRUCTURE SECTOR														
4	Rajasthan State Industrial Development and Investment Corporation Limited	2008-09	2009-10	140.15	8.61	0.33	131.21	1284.39		210.19	198.45	720.44	139.82	19.41
5	Rajasthan State Road Development and Construction Corporation Limited	2008-09	2009-10	7.46	2.79	0.23	4.44	43.77	Comment under finalisation	10.00	0	61.90	7.24	11.69
6	Rajasthan Urban Infrastructure Finance and Development Corporation Limited	2008-09	2009-10	0.03	Nil	0.01	0.02	Nil		3.00	0.38	3.38	0.02	0.50
Sector wise total				**147.64**	**11.40**	**0.57**	**135.67**	**1328.16**	**0**	**223.19**	**198.83**	**785.72**	**147.08**	

Sl. No.	Sector & Name of the Company	Period of accounts	Year in which finalised	Net profit(+) / Loss(-)				Turnover	Impact of accounts comments	Paid up capital	Accumulated Profit (+)/ Loss (-)	Capital employed	Return on capital employed	Percentage return on capital employed
				Net profit/ loss before interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6	7	8	9	10	11	12
MANUFACTURE SECTOR														
7	Barmer Lignite Mining Company Limited (subsidiary Joint Company of Sl.No. A(10))	2008-09	2009-10	-	-	-	-	-		20.00	-	95.56	-	
8	Rajasthan State Beverages Corporation Limited	2008-09**	2009-10	0.59	0.004	0.21	0.38	1597.54	Comment under finalisation	2.00	0.16	2.46	0.38	15.50
9	Rajasthan State Ganganagar Sugar Mills Limited	2008-09	2009-10	3.39	0.07	1.14	2.18	278.25	Overstatement of profit by Rs.1.31 crore	3.65	0.89	6.81	2.26	33.14
10	Rajasthan State Mines and Minerals Limited	2007-08	2008-09	228.63	1.70	43.48	183.45	636.41	Profit overstated by Rs. 22.63 lakh	77.55	468.26	635.03	185.15	29.16
11	Rajasthan State Petroleum Corporation Ltd. (subsidiary of Sl No. A(10))	2008-09	2009-10	-	Nil	Nil	Nil	Nil		0.10	Nil	0.04	Nil	Nil
Sector wise total				**232.61**	**1.774**	**44.83**	**186.01**	**2512.20**	**0**	**103.30**	**469.31**	**739.90**	**187.79**	
POWER SECTOR														
12	Rajasthan Renewable Energy Corporation Limited	2008-09	2009-10	37.05	9.79	9.76	17.50	28.34	Accounts under audit	12.94	30.93	144.22	27.29	18.92
13	Rajasthan Rajya Vidyut Utpadan Nigam Limited	2007-08	2008-09	-	374.24	205.38	#	3875.99	Under statement of loss of Rs. 223.02 crore	3116.59	-	10124.18	374.24	3.70
14	Rajasthan Rajya Vidyut Prasaran Nigam Limited	2007-08	2008-09	-	203.13	120.00	#	876.64	Under statement of loss of Rs. 2496.89 crore	939.00	-	4555.99	203.13	4.46
15	Jaipur Vidyut Vitran Nigam Limited	2007-08	2008-09	-	340.80	120.43	#	3200.58	Under statement of loss of Rs. 821.60 crore	478.00	-	6328.67	340.80	5.39
16	Jodhpur Vidyut Vitran Nigam Limited	2007-08	2008-09	-	314.82	76.18	#	2139.26	Under statement of loss of Rs. 1038.29 crore	438.00	-	5494.05	314.82	5.73
17	Ajmer Vidyut Vitran Nigam Limited	2006-07	2007-08	-	241.29	122.42	#	2111.89	NA	395.50	-	3704.17	241.29	6.51

Sl. No.	Sector & Name of the Company	Period of accounts	Year in which finalised	Net profit(+) / Loss(-)				Turnover	Impact of accounts comments	Paid up capital	Accumulated Profit (+)/ Loss (-)	Capital employed	Return on capital employed	Percentage return on capital employed
				Net profit/ loss before interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6	7	8	9	10	11	12
18	Chhabra Power Limited (Subsidiary of Sl. A (13))	2008-09	2009-10	-	Nil	-	-	-	Accounts under audit	0.05	-	0.03	-	
19	Giral Lignite Power Limited (Subsidiary of Sl. A (13))	2007-08	2008-09	-	Nil	-	-	-		0.05	-	0.03	-	
20	Dholpur Gas Power Limited (Subsidiary of Sl. A (13))	2008-09	2009-10	-	Nil	-	-	-	Accounts under audit	0.05	-	0.03	-	
Sector wise total				**37.05**	**1484.07**	**654.17**	**17.50**	**12232.70**	**0**	**5380.18**	**30.93**	**30351.37**	**1501.57**	
SERVICE SECTOR														
21	Rajasthan Civil Aviation Corporation Limited	2007-08	2009-10	Nil		Nil	Nil		Nil	0.05	-	-0.02	-	
22	Jaipur City Transport Services Limited			-	**Nil**	-	-	-	-	1.00	-	-	-	
23	Kota City Transport Services Limited			-	**Nil**	-	-	-	-	0.10	-	-	-	
24	Rajasthan State Hotels Corporation Limited	2007-08	2008-09	0.23	0.06	0.13	0.04	2.94	Nil	1.62	-2.62	0.11	0.10	87.83
25	Rajasthan Tourism Development Corporation Limited	2007-08	2009-10	0.40	0	0.11	0.29	45.88	Overstatement of profit by Rs. 0.48 crore	18.45	-3.40	38.21	0.30	0.77
Sector wise total				**0.63**	**0.06**	**0.24**	**0.33**	**48.82**	**0**	**21.22**	**-6.02**	**38.34**	**0.40**	
MISC SECTOR														
26	Rajasthan Jal Vikas Nigam Limited	2008-09	2009-10	0.03	Nil	0.01	0.02	4.01	Comments under finalisation	1.27	0.64	1.97	0.02	0.79
Sector wise total				**0.03**	**0**	**0.01**	**0.02**	**4.01**	**0**	**1.27**	**0.64**	**1.97**	**0.02**	
Total A (All sector wise working Government companies)				**423.38**	**1504.84**	**701.73**	**334.38**	**16360.10**	**0.00**	**5748.35**	**777.78**	**31973.64**	**1839.24**	
B. Working Statutory corporations														
FINANCE														
1	Rajasthan Financial Corporation	2008-09	2009-10	79.17	76.52	0.29	2.36	128.00	Comment under finalisation	86.53	53.59	858.05	79.16	9.24
Sector wise total				**79.17**	**76.52**	**0.29**	**2.36**	**128.00**	**0**	**86.53**	**53.59**	**858.05**	**79.16**	

Sl. No.	Sector & Name of the Company	Period of accounts	Year in which finalised	Net profit(+) / Loss(-)				Turnover	Impact of accounts comments	Paid up capital	Accumulated Profit (+)/ Loss (-)	Capital employed	Return on capital employed	Percentage return on capital employed
				Net profit/ loss before interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6	7	8	9	10	11	12
SERVICE SECTOR														
2	Rajasthan State Warehousing Corporation	2008-09	2009-10	3.28	Nil	2.46	0.82	20.30	Nil	7.85	-	70.24	0.82	1.17
3	Rajasthan State Road Transport Corporation	2007-08	2008-09	25.38	17.26	31.69	-23.57	1002.27	Loss understated by Rs. 40.06 crore	220.06	-418.28	-33.97	-6.31	
Sector wise total				**28.66**	**17.26**	**34.15**	**-22.75**	**1022.57**	**0**	**227.91**	**-418.28**	**36.27**	**-5.49**	
Total B (All sector wise working Statutory corporations)				**107.83**	**93.78**	**34.44**	**-20.39**	**1150.57**	**0**	**314.44**	**-364.69**	**894.32**	**73.67**	
Grand Total (A + B)				**531.21**	**1598.62**	**736.17**	**313.99**	**17510.67**	**0**	**6062.79**	**413.09**	**32867.96**	**1912.91**	
C. Non working Government companies														
AGRICULTURE & ALLIED														
1	Rajasthan State Agro Industries Corp. Limited	2007-08	2008-09	-0.02	1.21	-	-1.23	-	Nil	6.01	-44.75	-23.89	-0.02	
2	Rajasthan State Dairy Development Corp. Limited	2007-08	2008-09	0	Nil	-	0	-	-	2.88	-0.2	2.68	0	
Sector wise total				**-0.02**	**1.21**	**0**	**-1.23**	**0**	**0**	**8.89**	**-44.95**	**-21.21**	**-0.02**	
MANUFACTURE SECTOR														
3	Rajasthan Electronics Limited(Subsidiary of Sl. A(4))	2008-09	2009-10	0	Nil	-	0	Nil	Nil	0.30	-3.06	-0.78	Nil	0
4	Hi-Tech Precision Glass Limited	2008-09	2009-10	0.01	0.01	-	0	Nil	Nil	0.08	-0.19	0.10	0.01	10.32
Sector wise total				**0.01**	**0.01**	**0**	**0**	**0**	**0**	**0.38**	**-3.25**	**-0.68**	**0.01**	
Total C (All sector wise non working Government Companies)				**-0.01**	**1.22**	**0**	**-1.23**	**0**	**0**	**9.27**	**-48.20**	**-21.89**	**-0.01**	
Grand Total (A + B + C)				**531.20**	**1599.84**	**736.17**	**312.76**	**17510.67**	**0**	**6072.06**	**364.89**	**32846.07**	**1912.90**	

Accounts are prepared on no profit no loss basis.

** Provisional (As per original accounts approved by the Board of Directors of the Company) as based on comments of C&AG, company has decided to recast the accounts which are awaited.

Annexure – 3

(Referred to in paragraph 1.10)

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2009

(Figures in column 3 (a) to 6 (d) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. Working Government Companies													
AGRICULTURE & ALLIED SECTOR													
1	Rajasthan State Seeds Corporation Limited	-	-	10.00	30.60	-	40.60	-	-	-	-	-	-
Sector wise total		**0**	**0**	**10.00**	**30.60**	**0.00**	**40.60**	**0**	**0**	**0**	**0**	**0**	**0**
FINANCE SECTOR													
2	Rajasthan State Handloom Development Corporation Limited	-	-	-	0.20	-	0.20	-	-	-	-	-	-
Sector wise total		**0**	**0**	**0**	**0.20**	**0**	**0.20**	**0**	**0**	**0**	**0**	**0**	**0**
INFRASTRUCTURE SECTOR													
3	Rajasthan State Industrial Development and Investment Corporation Limited	1.98	-	8.21	-	-	8.21	-	12.75	-	-	-	-
Sector wise total		**1.98**	**0**	**8.21**	**0**	**0**	**8.21**	**0**	**12.75**	**0**	**0**	**0**	**0**
POWER SECTOR													
4	Rajasthan Rajya Vidyut Utpadan Nigam Limited	706.00	-	-	0.04	-	0.04	550.00	3408.63	-	-	-	-
5	Rajasthan Rajya Vidyut Prasaran Nigam Limited	165.00	-	-	3.62	-	3.62	1270.61	3782.23	-	-	-	-
6	Jaipur Vidyut Vitran Nigam Limited	235.00	90.00	-	420.38	-	420.38	3672.41	6040.79	-	-	-	-
7	Jodhpur Vidyut Vitran Nigam Limited	110.00	70.00	-	306.26	-	306.26	5752.62	5656.62	-	-	-	-
8	Ajmer Vidyut Vitran Nigam Limited	120.00	90.00	-	440.31	-	440.31	2690.64	6605.68	-	-	-	-
Sector wise total		**1336.00**	**250.00**	**0**	**1170.61**	**0**	**1170.61**	**13936.28**	**25493.95**	**0**	**0**	**0**	**0**

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
SERVICE SECTOR													
9	Rajasthan Civil Aviation Corporation Limited	1.82	2.62	-	-	-	-	-	-	-	-	-	-
10	Rajasthan Tourism Development Corporation Limited	-	-	-	-	-	-	8.45	8.45	-	-	-	-
Sector wise total		**1.82**	**2.62**	**0**	**0**	**0**	**0**	**8.45**	**8.45**	**0**	**0**	**0**	**0**
Total A (All sector wise working Government companies)		**1339.80**	**252.62**	**18.21**	**1201.41**	**0**	**1219.62**	**13944.73**	**25515.15**	**0**	**0**	**0**	**0**
B. Working Statutory corporations													
FINANCE SECTOR													
1	Rajasthan Financial Corporation	-	-	-	-	-	-	Nil	124.80	-	-	-	-
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**124.80**	**0**	**0**	**0**	**0**
Total B (All sector wise working Statutory corporations)		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**124.80**	**0**	**0**	**0**	**0**
Grand Total (A + B)		**1339.80**	**252.62**	**18.21**	**1201.41**	**0**	**1219.62**	**13944.73**	**25639.95**	**0**	**0**	**0**	**0**
C. Non working Government companies													
AGRICULTURE & ALLIED SECTOR													
1	Rajasthan State Agro Industries Corp. Limited	-	0.10	-	-	-	-	-	-	-	-	-	-
Sector wise total		**0**	**0.10**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total C (All sector wise non working Government Companies)		**0**	**0.10**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Grand Total (A + B + C)		**1339.80**	**252.72**	**18.21**	**1201.41**	**0**	**1219.62**	**13944.73**	**25639.95**	**0**	**0**	**0**	**0**

@ Figures indicate total guarantee outstanding at the end of the year.

Annexure - 4

(Referred to in paragraph 1.34)

Statement showing investments made by State Government in PSUs accounts of which are in arrears

(Rs. in Crore)

S. No.	Name of PSU	Year upto which accounts finalised	Paid up capital as per latest accounts finalised	Investment made by State Government during the year 2008-09 for which accounts are in arrears			
				Equity	Loans	Subsidy	Other to be specified
1	Rajasthan Rajya Vidyut Utpadan Nigam Limited	2007-08	3116.59	706.00	-	0.04	-
2	Rajasthan Rajya Vidyut Prasaran Nigam Limited	2007-08	939.00	165.00	-	3.62	-
3	Jaipur Vidyut Vitran Nigam Limited	2007-08	478.00	235.00	90.00	420.38	-
4	Jodhpur Vidyut Vitran Nigam Limited	2007-08	438.00	110.00	70.00	306.26	-
5	Ajmer Vidyut Vitran Nigam Limited	2006-07	395.50	120.00	90.00	440.31	-
6	Rajasthan Civil Aviation Corporation Limited	2007-08	0.05	1.82	2.62	-	-
7	Rajasthan State Agro Industries Corporation Limited	2007-08	6.01	-	0.10	-	-
	Total		**5373.15**	**1337.82**	**252.72**	**1170.61**	**-**

Annexure-5
(Referred to in paragraph 1.15)
Statement showing financial position of Statutory Corporations

Working Statutory corporations				
			(Amount: Rupees in crore)	
Sl. No.	**Particulars**	**2006-07**	**2007-08**	**2008-09 (Provisional)**
1	**Rajasthan State Road Transport Corporation**			
A.	**<u>Liabilities</u>**			
	Capital (including capital loan and equity capital)	220.06	220.06	220.06
	Borrowings:			
	(Government)	-	-	-
	(Others)	163.67	149.21	210.24
	Funds*	4.99	5.03	5.11
	Trade dues and other current liabilities (including provisions)	301.26	299.86	487.34
	Total A	**689.98**	**674.16**	**922.75**
B.	**<u>Assets</u>**			
	Gross Block	492.51	480.92	586.93
	Less: Depreciation	267.89	285.65	310.01
	Net fixed assets	224.62	195.27	276.92
	Capital works-in-progress (including cost of chassis)	1.23	0.17	0.02
	Investment	6.55	0.49	0.48
	Current assets, loans and advances	62.88	59.95	42.82
	Accumulated losses	394.70	418.28	602.51
	Total B	**689.98**	**674.16**	**922.75**
C.	**Capital employed****	**(-)3.54**	**(-)33.97**	**(-)155.58**

* Excluding depreciation funds.

** Capital employed represents net fixed assets (including works-in-progress) plus working capital.

				(Amount: Rupees in crore)
Sl. No.	**Particulars**	**2006-07**	**2007-08**	**2008-09**
2	**Rajasthan Financial Corporation**			
A.	**Liabilities**			
	Paid-up-capital	81.52	86.52	86.52
	Share application money	-	-	-
	Reserve fund and other reserves and surplus	54.65	58.70	60.70
	Borrowings:			
	(i) Bonds and debentures	157.18	138.18	124.80
	(ii) Fixed deposits	-	-	-
	(iii) Industrial Development Bank of India and Small Industries Development Bank of India	466.26	496.13	572.37
	(iv) Reserve Bank of India	-	-	-
	(v) Loan towards Share capital:			
	(a) State Government	13.95	13.95	13.95
	(b) Industrial Development Bank of India	9.60	9.60	9.60
	(vi) Others (including State Government)	104.17	95.41	68.98
	Other liabilities and provisions	219.55	234.90	280.71
	Total A	**1106.88**	**1133.39**	**1217.63**
B.	**Assets**			
	Cash and Bank balances	45.46	74.85	57.33
	Investment	1.06	1.06	1.16
	Loans and advances	929.61	929.83	998.74
	Net fixed assets	3.48	3.47	3.34
	Other assets	44.56	42.96	103.48
	Miscellaneous expenditure	82.71	81.22	53.58
	Total B	**1106.88**	**1133.39**	**1217.63**
C.	**Capital employed[@]**	**833.62**	**836.25**	**858.05**

[@] Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, loans in lieu of capital, seed money, debentures, reserves (other than those which have been funded specifically and backed by investment outside), bonds deposits and borrowings (including refinance). The free reserves and surplus have been reduced to the extent of debit balance of profit and loss account.

				(Amount: Rupees in crore)
Sl. No.	**Particulars**	**2006-07**	**2007-08**	**2008-09**
3	**Rajasthan State Warehousing Corporation**			
A.	**Liabilities**			
	Paid-up-capital	7.85	7.85	7.85
	Reserves and Surplus	95.01	60.45	60.27
	Borrowings:			
	(Government)	-	-	-
	(Others)	-	-	-
	Trade dues and other current liabilities (including provisions)	27.66	68.40	65.30
	Total A	**130.52**	**136.70**	**133.42**
B.	**Assets**			
	Gross Block	67.79	75.41	77.18
	Less: Depreciation	24.67	27.06	29.51
	Net fixed assets	43.12	48.35	47.67
	Capital works-in-progress	3.78	1.14	0.62
	Current assets, loans and advances	83.62	87.21	85.13
	Profit and loss account	-	-	-
	Total B	**130.52**	**136.70**	**133.42**
C.	**Capital employed**[@]	**108.83**	**70.87**	**70.24**

[@] Capital employed represents net fixed assets (including works-in-progress) plus working capital (excluding provision for gratuity Rs. 1.58 crore for 2008-09).

Annexure-6
(Referred to in paragraph 1.15)
Statement showing working results of Statutory Corporations

Working Statutory corporations				
				(Amount: Rupees in crore)
Sl. No.	**Particulars**	**2006-07**	**2007-08**	**2008-09 (Provisional)**
1	**Rajasthan State Road Transport Corporation**			
(1)	Operating:			
(a)	Revenue	944.34	975.08	1054.65
(b)	Expenditure	996.81	1025.89	1266.12
(c)	Surplus(+)/deficit(-)	(-)52.47	(-)50.81	(-) 211.47
(2)	Non-operating:			
(a)	Revenue	34.16	27.20	27.24
(b)	Expenditure*	0.83	(+) 0.04	-
(c)	Surplus(+)/deficit(-)	33.33	27.24	27.24
(3)	Total:			
(a)	Revenue	978.50	1002.28	1081.89
(b)	Expenditure	997.64	1025.85	1266.12
(c)	Net Profit(+)/loss(-)	(-)19.14	(-)23.57	(-)184.23
(4)	Interest on Capital and loans	16.02	17.26	20.00
(5)	**Total return on capital employed**	**(-)3.12**	**(-)6.23**	**(-)164.23**

* In the accounts of RSRTC operating and non-operating expenditure is not shown separately. However, upto 2007-08 prior period adjustments were shown under non-operating expenditure.

				(Amount: Rupees in crore)
Sl. No.	**Particulars**	**2006-07**	**2007-08**	**2008-09**
2	**Rajasthan Financial Corporation**			
(1)	Income:			
(a)	Interest on loans	200.28	103.06	118.67
(b)	Other Income	10.08	8.23	8.97
	Total Income	**210.36**	**111.29**	**127.64**
(2)	Expenses:			
(a)	Interest on long term loans	70.22	65.34	76.46
(b)	Other expenses	128.90	34.36	42.34
	Total Expenditure	**199.12**	**99.70**	**118.80**
(3)	Profit before tax	11.24	11.59	8.84
(4)	Provision for tax	0.10	0.10	0.33
(5)	Other appropriations	0.6	6.0	6.15
(6)	Amount available for dividend[@]	10.54	5.49	2.36
(7)	Dividend	-	-	-
(8)	Total return on capital employed	80.75	70.94	79.16
(9)	Percentage of return on capital employed	9.69	8.48	9.23

[@] Represents profit of current year available for dividend after considering the specific reserves and provisions for taxation.

				(Amount: Rupees in crore)
Sl. No.	**Particulars**	**2006-07**	**2007-08**	**2008-09**
3	**Rajasthan State Warehousing Corporation**			
(1)	Income:			
(a)	Warehousing charges	43.87	22.73	20.30
(b)	Other income	4.32	4.92	5.15
	Total Income	**48.19**	**27.65**	**25.45**
(2)	Expenses:			
(a)	Establishment charges	14.28	14.54	18.49
(b)	Other expenses	11.58	6.59	5.96
	Total Expenditure	**25.86**	**21.13**	**24.45**
(3)	Profit(+)/loss(-) before tax (1-2)	22.33	6.52	1.00
(4)	Other appropriations	11.14	4.22	0.18
(5)	Amount available for dividend	1.96	0.79	-
(6)	Dividend for the year	1.96	0.79	-
(7)	Total return on capital employed	21.88	6.25	0.82
(8)	Percentage of return on capital employed	20.11	8.82	1.17

Annexure-7

(Referred to in paragraph 2.1.14)

Statement showing the targeted generation and actual generation of power plants at RGTPS

Year	GT-I			GT-II			STG			TOTAL			
	Targeted generation (MU)	Actual generation(MU)	Percentage to targeted generation to actual generation	Targeted generation (MU)	Actual generation (MU)	Percentage to targeted generation to actual generation	Targeted generation (MU)	Actual generation (MU)	Percentage to targeted generation to actual generation	Targeted generation (MU)	Actual generation (MU)	Percentage to targeted generation to actual generation	Overall PLF
2004-05	217.82	90.0565	41.34	230.09	191.048	83.03	230.09	79.699	34.64	678	360.80	53.22	35.57
2005-06	217.82	98.0619	45.02	230.09	223.907	97.31	230.09	113.652	49.39	678	435.62	**64.25**	45.00
2006-07	217.82	150.857	69.26	230.09	167.133	72.64	230.09	86.154	37.44	678	404.14	59.61	41.75
2007-08	217.82	117.6453	54.01	230.09	213.798	92.92	230.09	82.672	35.93	678	414.12	61.08	42.69
2008-09	217.82	29.74	13.65	230.09	248.02	107.79	230.09	70.91	30.82	678	348.67	51.43	36.00
Total	**1089.10**	**486.3607**	44.66	**1150.45**	**1043.906**	90.74	**1150.45**	**433.087**	37.65	**3390**	**1963.35**	57.92	

Annexure-8

(Referred to in paragraph 2.1.22)

Statement showing excess consumption of coal (SSTPS)

Year	Consumption of coal (MT)	Generation (MU)	Consumption (kg/kwh)	Norms fixed by RERC (kg/kwh)	Excess consumption of coal (MT)	Rate/MT	Value (Rs. in crore)
2004-05	5944791	9362.32	0.635	0.6098	235930	2242.38	52.90
2005-06	6095625	9951.22	0.613	0.5642	485620	2435.93	118.29
2006-07	6372544	10205.59	0.624	0.5851	396997	2514.97	99.84
2007-08	6476426	10222.52	0.634	0.5851	499881	2595.30	129.73
2008-09	6519778	9740.61	0.669	0.5851	817237	3014.32	246.34
Total	**31409164**	**49482.25**			**2435665**		**647.10**

Statement showing excess consumption of coal (KSTPS)

Year	Consumption of coal (MT)	Generation (MU)	Consumption (kg/kwh)	Norms fixed by RERC (kg/kwh)	Excess consumption of coal (MT)	Rate/MT	Value (Rs. in crore)
2004-05	4964187	7430.72	0.672	0.6536	136725	1849.31	25.28
2005-06	5324815	8294.15	0.650	0.6045	377384	1916.95	72.34
2006-07	5471853	8162.62	0.675	0.6059	564037	1891.56	106.69
2007-08	5742071	8395.46	0.684	0.6047	665760	1982.42	131.98
2008-09	5849855	8674.16	0.674	0.6033	613263	2464.23	151.12
Total	**27352781**	**40957.11**			**2357169**		**487.41**

Annexure-9
(Referred to in paragraph 2.2.1)
Statement showing categories of consumers and revenue realized from them during 2007-08

Sl. No.	Categories of consumers	Number of consumers	Revenue assessed (Rs. in lakh)	Revenue realised (Rs. in lakh)	Percentage
1.	**Domestic services**	1613413	54221.90	53056.05	20.65
2.	**Non-domestic services**	200061	23357.94	23109.55	8.99
3.	**Agricultural services**	291567	41747.81	39790.71	15.49
4.	**Industrial services**	56820	141759.62	140981.07	54.87
	Grand Total	**2161861**	**261147.27**	**256937.38**	**100.00**

Annexure-10

(Referred to in paragraph 2.2.22)

Statement showing the difference in amount of security deposit of consumers as per system and records of Commercial wing

(Amount in Rupees)

Sl. No.	Name of the consumer	Amount of SD as per data maintained by Service Provider	Amount of SD as per register maintained at Commercial section	Difference
1.	M/s Dheeraj Marbles	482993.00	328993.00	(-) 154000.00
2.	M/s Nayan Marbles	354839.00	434339.00	79500.00
3.	M/s Quality Marble	481119.00	481569.00	450.00
4.	M/s Kiran Marbles	248419.00	332742.00	84323.00
5.	M/s Sajjan	297137.00	361041.00	63904.00
6.	M/s Rasika Marble	208671.00	236340.00	27669.00
7.	M/s Shiv Shakti	212438.00	236392.00	23954.00
8.	M/s Shree Dowda Mata ji	124740.00	199740.00	75000.00
9.	M/s Thakur Marbles Pvt Ltd.	289154.00	321764.00	32610.00
10.	M/s Swastik Marmo Stones	288600.00	325102.00	36502.00

Annexure-11
(Referred to in paragraph 3.7)
Statement showing operational performance of Rajasthan State Road Transport Corporation

(Rs. in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Average number of vehicles held	4348	4373	4389	4306	4384
Average number of vehicles on road	4173	4207	4237	4135	4098
Percentage of utilisation of vehicles	95.98	96.20	96.54	96.03	93.48
Number of employees	22651	22369	21798	20961	20615
Employee vehicle ratio	5.21	5.12	4.97	4.87	4.70
Number of routes operated at the end of the year	2800	2780	2715	2537	2580
Route kilometres	495547	515457	520463	504110	518484
Kilometres operated (in lakh)					
Gross	5729.04	6097.78	6214.69	6182.90	6163.12
Effective	5573.80	5933.90	6055.48	6015.26	6008.62
Dead	155.24	163.88	159.21	167.64	154.50
Percentage of dead kilometres to gross kilometres	2.71	2.69	2.56	2.71	2.51
Average kilometres covered *per* bus per day	346	370	380	387	388
Average revenue per kilometre (Rs.)	13.91	14.78	16.16	16.66	18.01
Average expenditure per kilometre (Rs.)	14.00	15.28	16.47	17.05	19.47
Loss (-)/Profit (+) per kilometre (Rs.)	(-) 0.09	(-) 0.50	(-) 0.31	(-) 0.39	(-) 1.46
Number of operating depots	48	48	48	48	48
Average number of break-down per lakh kilometre	1.07	1.14	1.10	1.28	1.29
Average number of accidents per lakh kilometre	0.12	0.11	0.11	0.11	0.09
Passenger kilometre operated (in crore)	2044	2082	2134	2165	2158
Occupancy ratio (Load Factor)	70.53	67.47	70.48	71.98	71.83
Kilometres obtained per litre of Diesel Oil	5.00	5.09	5.00	4.97	4.98

Annexure-12

(Referred to in paragraph 4.18)

List of paras involving recovery of money

(Amount: Rupees in lakh)

Sl. No.	Para	Year of IR issued	Amount involved	Remarks
(1)	(2)	(3)	(4)	(5)
PSU Name-	**Rajasthan Financial Corporation**			
1.	Unit-Branch Manager, Dausa (Period 2000-02) Para No.2 Part-II-B Due to continuous default in making payment of the Corporation dues, the Branch Manager has taken the possession of the unit (Shubham Readymade Garments) in February 2002 to recover dues of Rs. 7.01 lakh. The unit has not taken any action to recover its dues thereafter.	2002-03	7.01	The management stated (February 2009) that action to recover dues is being taken under section 32-G.
2.	Unit-Branch Manager, Dausa (Period 2000-02) Para No.3 Part-II-B Due to continuous default in making payment of the Corporation dues, the Branch Manager has taken the possession of the unit (Shree Balaji Industries) in August 1996 to recover dues of Rs. 14.30 lakh and sold it (May 2000) for Rs. 2.45 lakh leaving a deficit of Rs. 11.85 lakh. The unit has not taken any action to recover deficit amount.	2002-03	11.85	The management stated (February 2009) that action to recover dues is being taken under section 32-G.
3.	Unit-Deputy General Manager (Rural), Bhilwara (Period 2000-02) Para No.1 Part-II-B The unit office disbursed (November 1999) working Capital Term Loan of Rs. 73 lakh to RPL (I) Limited (Borrower) which was also jointly financed by RIICO Limited. On making default, RIICO has taken over the possession of unit and sold it in July 2006. The unit office, however, could not recover its dues of Rs. 112.20 lakh.	2002-03	112.20	The management stated (February 2009) that action to recover its dues under Section 32-G is being taken.
4.	Unit-Deputy General Manager (Rural), Bhilwara (Period 2000-02) Para No.6 Part-II-B The Court has awarded (February 1999 to February 2002) decree in seven cases* in favour of the Corporation to recover its dues of Rs. 37.85 lakh, however, no effort has been taken to execute these decrees.	2002-03	37.85	The management replied (June 2004) that in five cases** application to execute the decrees have been filed (Between July 2001 and October 2003). Thereafter no reply has been received from the management (July 2009).
5.	Deputy General Manager (Rural), Jaipur (Period 2001-03) Para No.2 Part-II-B To effect recovery of deficit amount of Rs. 62.25 lakh from 17 defaulting units@, the unit office has registered (August/September 2002) the cases with the District Collector, Bharatpur, which were refused to entertain as the cases were registered under section 256 and 257 of Land Revenue Act whereas in the loan agreement the recoveries were to be effected under PDR Act. The unit office thereafter has not taken any action to recover its dues.	2003-04	62.25	The management stated (July 2008/February 2009) that nine# accounts were closed and no dues certificates have also been issued and remaining eight cases were registered under section 32-G. The reply is not acceptable as the management did not provide the details of recovery in case of accounts closed and in the remaining cases no amount has so far been recovered (July 2009).

* Laxmi Marbles Rs. 4.36 lakh, Bharat Steel Industries Rs. 6 lakh, Acharya Minerals & Process Rs. 6.54 lakh, Garg Marbles Rs. 2.41 lakh, Sri Ram Sugar Mills Rs. 7.67 lakh, OK Metal Crafts Rs. 2.81 lakh, Nitin Crushers Rs. 8.06 lakh.

** Laxmi Marbles Rs. 4.36 lakh, Bharat Steel Industries Rs. 6 lakh, Acharya Minerals & Process Rs. 6.54 lakh, Garg Marbles Rs. 2.41 lakh, Sri Ram Sugar Mills Rs. 7.67 lakh.

@ Mahesh Engineering Works Rs. 1.21 lakh, Beerval Flour Mills Rs. 0.38 lakh, Roshan Singh Stone Cutting Industries Rs. 1.63 lakh, Kishan Oil and Flour Mill Rs. 1.74 lakh, Jagan Lal Meena Rs. 16.85 lakh, Suresh Dairy Rs. 0.44 lakh, Jagdish Oil and Flour Mill Rs. 1.30 lakh, Sagarwal Flour Mill Rs. 0.19 lakh, Jai Shri Ram Oil & Flour Mill Rs. 4.19 lakh, Foojdar Flour & Oil Mill Rs. 0.22 lakh, MSK Foot Wear Udyog Rs. 0.17 lakh, Babli Oil Mill Rs. 1.50 lakh, Prem Singh Rs. 6.04 lakh, Kumod Gautams Rs. 0.65 lakh, Kishan Singh Rs. 8.09 lakh, Vishan Singh Rs. 5.39 lakh and Uma Oil Industries Rs. 12.26 lakh.

Mahesh Engineering Works Rs. 1.21 lakh, Kishan Oil and Flour Mill Rs. 1.74 lakh, Sagarwal Flour Mill Rs. 0.19 lakh, Foojdar Flour & Oil Mill Rs. 0.22 lakh, HSK Foot Wear Udyog Rs. 0.17 lakh, Babli Oil Mill Rs. 1.50 lakh, Kumod Gautams Rs. 0.65 lakh, Kishan Singh Rs. 8.09 lakh and Vishan Singh Rs. 5.39 lakh .

Sl. No.	Para	Year of IR issued	Amount involved	Remarks
(1)	(2)	(3)	(4)	(5)
6.	Branch Manager, Bikaner (Period 2001-03) Para No.4 Part-II-B In absence of the personal guarantee of the promoters, the unit office neither recovered its dues of Rs. 6.76 lakh from United Structures (India) Pvt. Ltd. nor registered the case under section 32-G for want of details of property of promoter/guarantor.	2003-04	6.76	The management stated (February 2009) that details of property of the directors as well as guarantors are being located. The reply is not acceptable as even after 5 years the unit office could not locate the details of property of promotes/guarantors.
7.	Unit-Branch Manager, Churu (Period 2001-03) Para No.1 Part-II-B To recover its dues of Rs. 32.28 lakh, the unit office has taken over the possession of the unit (Richa Granites) in May 2000 and sold the same for Rs. 8.41 lakh in September 2002. The deficit amount of Rs. 25.31 lakh has, however, yet not recovered (July 2009).	2003-04	25.31	The management stated (February 2009) that for recovery of deficit amount, case has been registered with Tahsildar, Churu under Section 32-G. The fact remains that the unit has no details about the property of the promoters/guarantors.
8.	Unit-Branch Manager, Churu (Period 2001-03) Para No.3 Part-II-B Against the total outstanding dues of Rs. 26.77 lakh, the case of Milesstone Granite Industries (Borrower), Sardarshahar has been settled under One Time Settlement for Rs. 2.63 lakh. The borrower has, however, deposited only Rs. 1.38 lakh upto December 2008. The unit has not taken any further action.	2003-04	1.25	No concrete reply has been furnished by the management (July 2009).
9.	Unit-Branch Manager, Sri Ganganagar (Period 2001-03) Para No.1 Part-II-B To recover its dues of Rs. 54.22 lakh, the unit office has taken over the possession of the unit (Singla Industries) in June 2000 and sold the same for Rs. 19.46 lakh on cash down basis. Besides, the unit office has also adjusted a surplus amount received through sale of another asset of the borrower. The deficit amount of Rs. 33.20 lakh has, however, yet not recovered (July 2009).	2003-04	33.20	The management stated (February 2009) that for recovery of deficit amount, case has been registered with Tahsildar, Sri Ganganagar under Section 32-G.
10.	Unit-Branch Manager, Jodhpur City (Period 2001-03) Para No.1 Part-II-B Against the total outstanding dues of Rs. 128.46 lakh, the case of Hotel Royal Palace (Borrower), Jodhpur has been settled under One Time Settlement for Rs. 103 lakh. The borrower has, however, deposited only Rs. 50 lakh upto July 2007. As the borrower has not adhered to the settlement the assets of the unit has been taken into possession March 2008 but the same have not yet been put into auction (July 2009).	2003-04	78.00	The management stated (February 2009) that efforts are being made to sale out the assets to recover dues.
11.	Unit-Branch Manager Jodhpur City (Period 2001-03) Para No.4 Part-II-B The unit office did not recover the expenditure on common facilities like maintenance and watch & ward in addition to the expenditure for water and electricity of Mini Udyog Bhawan, Jodhpur from RIICO as decided (November 1991) by Chairman & Managing Director (CMD), RIICO and CMD, RFC to share such expenses on equal basis.	2003-04	20.60	The management stated (February 2009) that outstanding balance on upkeep of Udyog Bhawan Common Facilities as on 31 December 2008 is Rs. 41.20 lakh and they are in the process to get these figures confirmed from RIICO. The fact remains that no recovery has so far been made by the Corporation.

Sl. No.	Para	Year of IR issued	Amount involved	Remarks
(1)	(2)	(3)	(4)	(5)
12.	Unit-Branch Manager, Chittorgarh (Period 2001-03) Para No.1 Part-II-B The unit office has not recovered deficit amount of Rs. 39.85 lakh from seven defaulting units*.	2003-04	39.85	The management stated (January 2009) that for recovery of deficit from four borrowers**, cases have been registered (November 2007/March 2008) with respective Tahsildars under Section 32-G. The reply is not acceptable as no recovery has so far been effected. Further, in remaining three cases, the Corporation has not taken any concrete action.
13.	Unit-Branch Manager, Tonk (Period 2001-03) Para No. 4 Part-II-B The Court has awarded (September 2001) decree in favour of the Corporation to recover its dues of Rs. 5.42 lakh alongwith interest at the rate of 10 per cent per annum from 31 March 2002 onwards and expenditure of Rs. 0.29 lakh from the defaulter firm (Kalpana Marbles, Deoli). The Corporation has, however, not taken any action to execute the decree.	2003-04	5.42	The management stated (October 2006) that in absence of details of the property and whereabouts of the promoter, the decree could not be got executed. The reply was not acceptable as lack of system of keeping track on whereabouts of promoter/guarantors and constant watch on their properties led to non-recovery of dues even after the Court has awarded decree in favour of the Corporation. The Corporation should evolve a system to have complete details of properties and whereabouts of the promoters/guarantors so that the cases wherein the Court has awarded decree in favour of the Corporation to recover its dues may not put on hold for want of details of properties/whereabouts of the promoters/guarantors.
14.	Unit-Branch Manager, Dholpur (Period 2001-03) Para No.1 Part-II-B Despite having default in repayment of dues (Term Loan of Rs. 8.71 lakh and Working Capital Term Loan (WCTL) of Rs. 4.77 lakh disbursed between March 1996 and February 1997) by Suraj Oil Industries, the Corporation further sanctioned and disbursed upto September 2000 another WCTL of Rs. 10 lakh under rehabilitation scheme. The borrower again made default in repayment of dues, the unit office has however not take any action to recover its dues.	2003-04	26.83	The management stated (February 2009) that action is under process to auctioned the assets of unit and its promoter assets. The facts remains that the Corporation has yet not recovered its dues.
		Total	**468.38**	
PSU Name - Rajasthan State Agro Industries Corporation Limited				
1.	Unit-Head Office (Period 1999-2002) Para No.1 Part-II-B An amount of Rs. 103.35 lakh is lying outstanding against several debtors such as advances given to employees/dues from Nagar Nigam/Government Departments and undertakings for a period of more than five years.	2002-03	103.35	No reply from the management.
		Total	**103.35**	

* Sethi Stones & Chips Rs. 1.85 lakh, Shree Ji Tiles Rs. 1.89 lakh, Pashupati Udyog Rs. 8.97 lakh, Adinath Chemicals Rs. 2.37 lakh, Om Sangmarmar Pvt. Ltd. Rs. 13.63 lakh, Goyal Printers Rs. 6.05 lakh, Chetak Hi-tech Rs. 5.09 lakh.

** Sethi Stones & Chips Rs. 1.85 lakh, Shree Ji Tiles Rs. 1.89 lakh, Pashupati Udyog Rs. 8.97 lakh, Goyal Printers Rs. 6.05 lakh.

Sl. No.	Para	Year of IR issued	Amount involved	Remarks
(1)	(2)	(3)	(4)	(5)
PSU Name - Rajasthan State Handloom Development Corporation Limited				
1.	Unit-Head Office (Period 2002-03) Para No.4 Part-II-B The Company has not recovered a sum of Rs. 128.79 lakh from 22* parties against the supplies made prior to 1999.	2003-04	118.79	The Management stated (July 2008) that out of total amount pointed out, cases worth Rs. 10 lakh are pending in various courts and the balance amount pertains to reconciliation. The reply is not acceptable as the Company did not make any effort to reconcile/recover the dues even after five years of its pointed out in audit. In absence of party wise detail how reconciliation will be made.
		Total	**118.79**	
PSU Name- Rajasthan State Mines & Minerals Limited				
1.	Unit-Head Office (erstwhile RSMDC) (Period 2002-03) Para No.6 Part-II-B The Company neither recovered nor adjusted the advances given to Ex-Directors/Ex-employees (Rs. 2.96 lakh) and advances given to contractors/suppliers etc. (Rs. 56.18 lakh) besides claims recoverable worth Rs. 6.77 lakh from contractors on account of stock leftover with them, shortages *etc.* of erstwhile Rajasthan State Mineral Development Corporation merged (19 February 2003) with it.	2003-04	65.91	The management stated (May 2005) that the Committee constituted to find out details of various accounts and to suggest remedial action had submitted its report on the very old issues of erstwhile RSMDC. The facts remains that even after receipt of Committee's report the Company has not taken any action (July 2009).
		Total	**65.91**	
PSU Name- Rajasthan State Industrial Development & Investment Corporation Limited				
1.	Unit-Regional Manager, Ajmer (Period 2000-02) Para No.7 Part-II-B An amount of Rs. 26.39 lakh is lying outstanding against watch assembly unit of Hindustan Machinery Tools (HMT) Limited, which has been closed since March 2001. Against the total outstanding, the HMT is showing an amount of Rs. 24.77 lakh as payable to the Company. No recovery has so far been made.	2002-03	26.39	No concrete efforts have been made to recover Rs. 26.39 lakh from HMT.
2.	Unit-Regional Manager, Balotra (Period 2000-02) Para No.1 (b) Part-II-B Against the total expenditure of Rs. 24.47 lakh incurred (April 1999) by the unit on construction of staff quarters for the staff of Rajasthan Finance Corporation (RFC), RFC has made payment of Rs. 18.04 lakh only and an amount of Rs. 6.43 lakh is lying outstanding till date.	2002-03	6.43	The management stated (October 2007) that the quarters were constructed under NID scheme, which is a centrally sponsored scheme. To exhaust the scheme the quarters were constructed and as such there is no loss to the Company. The reply is not acceptable as the Company has not recovered the outstanding amount as per agreement made with RFC.
3.	Unit-Regional Manager, Balotra (Period 2000-02) Para No.4 Part-II-B The unit did not levy/recover penalty @ 10 per cent, as per terms and conditions of the work order, on the contractor (Ganga Construction, Jodhpur) for delay in completion of work.	2002-03	0.34	The management stated (October 2007) that the contractor did not submit the request for time extension, hence penalty was not finanlised. Further, a final bill of Rs. 0.07 lakh and security deposit of Rs. 0.45 lakh is also lying with the unit which will be adjusted if any penalty is levied. The reply is not acceptable as the work was completed in October 1996 and thereafter no action has so far been taken by the management.
		Total	**33.16**	

* Haryana Sahkari Handloom Rs. 2.42 lakh, Janana Hospital Udaipur Rs. 1.30 lakh, M.P. State Textile Rs. 3.32 lakh, MRTC Bombay Rs. 2.31 lakh, Nagar Nigam Jaipur Rs. 3.92 lakh, NCCF Rs. 8.07 lakh, NHDL Yarn Rs. 5.80 lakh, Rajasthan Tribal Area Development Udaipur Rs. 14.81 lakh, Rajasthan Small Industries Corporation Limited Rs. 22.73 lakh, RCCF Jaipur Rs. 7.31 lakh, RSDC Training Centre Jaipur Rs. 7.32 lakh, SMS Hospital Jaipur Rs. 5.27 lakh, TAD & SC Fedration Rs. 2.69, Tapwrti Jaipur Rs. 2.35 lakh, Jain Goods Transport Rs. 0.50 lakh, Mayank Enterprises Rs. 0.84 lakh, Pankaj Enterprises Rs. 0.99 lakh, Shiv Transport Rs. 2.19 lakh, Vijyant Handloom Rs. 3.68 lakh, Mahwa Mandawar Transport Company Rs. 0.68 lakh, Hariyalka Stores Rs. 0.64 lakh and other sundry debtors (details of whom not available) Rs. 29.67 lakh.

Sl. No.	Para	Year of IR issued	Amount involved	Remarks
(1)	(2)	(3)	(4)	(5)
PSU Name - Rajasthan State Road Development and Construction Corporation Limited				
1.	Unit-Resident Engineer, Dholpur (now Bharatpur) (Upto 3/2003), Para No. 6 Part-II-B The unit has not recovered a sum of Rs. 16.71 lakh deposited by it as security deposit to Irrigation Department against work of Panchna Spillway though the work has already completed.	2003-04	16.71	The management stated (November 2006) that the final bill has not yet been passed therefore the security deposit is not refundable. The reply is not acceptable as the final bill has been passed for nil amount.
		Total	**16.71**	
PSU Name- Ajmer Vidyut Vitran Nigam Limited				
1.	AVVNL (Period 2003-04) Para No.2 Part-II-B For supply of sub standard PVC cables by Brimsom Cables, New Delhi, a penalty of Rs. 15.99 lakh was imposed by the Company in January 2004. Audit notice that an amount of Rs. 11.22 lakh was not recovered (July 2009) and the Company has also not have any financial hold against the supplier.	2003-04	11.22	The management stated (February 2007) that appropriate action will be taken to effect the recovery as early as possible. The fact remains that no recovery has so far been made by the Company.
		Total	**11.22**	
PSU Name- Rajasthan Rajya Vidyut Prasaran Nigam Limited				
1.	Unit-Head Office (Period October 2001 to March 2002) The Company has passed the claims of its two officers* on their foreign visit to attend training of computer system software at Paris (France) in excess of daily allowance rates approved by the Ministry of External Affairs and also without supporting vouchers like hotel bills, conveyance and communication charges bills.	October 2001 to March 2002	5.22 (US$ 11132)	The management instead of effecting recovery despite several reminders submitted (June 2009) the replies given by the concerned officers.
		Total	**5.22**	
PSU Name - Rajasthan Tourism Development Corporation Limited				
1.	Unit-Manager,Midway, Shahpura (Period 1995-02) Para No.2 Part-II-B The unit did not recover the shortages pointed out in physical verification report of stores conducted in the year 1995-96.	2002-03	0.80	The management replied (March 2007) that the matter was under consideration at Head Office of the Company. The reply is not acceptable as despite lapse of more than 13 years, no concrete action has so far been taken.
2.	Unit-Motel Ratanpur Dungarpur (Period1999-2003) Para No.1 Part-II-B The State Excise Department abolished (June 1997) the licence fees for operating the retail beer shop. The unit, however, had not got adjusted the licence fee of Rs. 0.30 lakh deposited by it for the period 1997-2000 for its Banswara and Dungarpur retail shop.	2003-04	0.30	The management replied (December 2007) that the enquiry against the defaulted employees for non-adjustment of licence fee in time has been completed and instructions have also been issued to effected recovery from them. However, inforation as regards to effected recovery has not been intimated (July 2009).
3.	Unit-Motel Midway,Dholpur (Period 1999-2003) Para No.1 Part-II-B The unit did not recover the shortages of stores from the defaulted employee even after issuance of directions from the Executive Director (Finance) of the Company.	2003-04	0.16	No concrete reply from the management as regards to recovery from the defaulted employee is received (July 2009).
	Total		**1.26**	

* Shri T.C. Jain, Executive Engineer US$ 5582 and Shri Sudhir Jain, Asstt. Engineer US$ 5550

Sl. No.	Para	Year of IR issued	Amount involved	Remarks
(1)	(2)	(3)	(4)	(5)
PSU Name - Rajasthan Small Industries Corporation Limited				
1.	Unit- Head Office (Period 2002-03) Para No.8 Part-II-B The Company did not recover miscellaneous advances of Rs. 0.46 lakh given to its eight staff members before their retirement. Besides in four cases recovery of advance of Rs. 0.78 lakh could not be effected due to court case.	2003-04	1.24	The management stated (October 2007) that for the unrecovered advances, it has made a provision in accounts as bad debts. The reply is not acceptable as the Company not only failed in recovery of the advance but also not fixed responsibility of the defaulted employees.
Total			**1.24**	
Grand Total			**825.24**	

Annexure-13
(Referred to in paragraph 4.19)
List of paras involving deficiencies

(Amount in Rs. lakh)

Sl. No.	Para	Year of I.R. issued	Amount involved	Remarks
PSU Name - Rajasthan Small Industries Corporation Limited				
1.	Rajasthali, New Delhi. (Period 1996-2002) Para 3 of Part-II-B As against the estimated cost of Rs. 78 lakh, the renovation of Rajasthali, New Delhi was completed at a total cost of Rs.1.11 crore. Audit noticed that approval for expenditure incurred in excess of estimated cost has not been obtained from the competent authority. For delay in completion the work a penalty of Rs. 15 lakh has also been imposed on the contracting agency but the unit office instead of making payment of Rs. 95.59 lakh *i.e.* after deducting the penalty has made a payment of Rs. 1.03 crore.	2002-03	32.65 & 7.96	The Management without furnishing the supporting documents stated (February 2009) that estimated budget for renovation work was allotted by the Head Office and as per the necessity it was enhanced from time to time. The reply is vague and not acceptable in absence of supporting documents/sanctions *etc.*
	Total		**40.61**	
PSU Name - Rajasthan State Seed Corporation Limited				
1.	Regional Manager, RSSCL, Mandore, Jodhpur (Period 2000 - 2002) Para 2 of Pt.-II-B The Ajmer unit office without conducting the Grow out test (GOT) accepted the castor (GCH-4) seed and issued the same to Mandore unit which was subsequently found sub-standard and therefore could not be sold. Further in absence of adequate security, the unit could not recovered/adjusted the cost of seed from the seed grower.	2002-03	4.04	The Management stated (July 2009) that 50 quintals seed of castor was procured by the Ajmer unit in July 2000 and then issued to Mandore unit. Of which, 16 quintal seed was sold and the remaining 34 quintal was returned to Ajmer unit which is lying unsold till today. Looking to the urgency the seed was procured before receipt of results of GOT. Subsequently in GOT the seed was found substandard hence, recovery efforts were made but the recovery could not be effected.
	Total		**4.04**	
PSU Name- Rajasthan State Industrial Development and Investment Corporation Limited				
1.	Regional Manager, RIICO, Boranada, Jodhpur. (Period 2000-02) Para 1 of Part-II-B The Unit office prepared layout plan for development of Boranada Industrial Area Phase-II (BIA-Ph-II) on land measuring 104 acres out of total 120 acres of available land (reasons for not including the balance 16 acres of land was not available in the records of the company). The administrative sanction for development of BIA-Ph-II was issued (October 1998) mentioning total saleable area of 73.83 acres after development. Audit noticed that out of total saleable area, an area of 52400 square meters (12.94 acres) of land valuing Rs. 131 lakh* was under encroachment. The Company has, however, not taken actions to get vacate the land.	2002-03	131.00	The Management stated (July 2009) that efforts for removal of encroachment is being made through estate court. The fact remains that even after a period of more than six years the Company failed to get its land vacated.
		Total	**131.00**	

* 52400 square meters x Rs. 250 per sqm., the prevailing rate of development charges.

Annexure-14

(Referred to in paragraph 4.20.2)

Statement showing lack of responsiveness to Inspection Reports

Sl. No.	Name of Sector	Outstanding Inspection Reports and Paragraphs				1st compliance not received				Compliance not received for more than two years			
		No. of PSUs	No. of outstanding IRs	No. of outstanding paragraphs	Monetary value (Rs. in crore)	No. of PSUs	No. of outstanding IRs	No. of outstanding paragraphs	Monetary value (Rs. in crore)	No. of PSUs	No. of outstanding IRs	No. of outstanding paragraphs	Monetary value (Rs. in crore)
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.
(A)	**Government companies**												
1.	Agriculture and allied	2	18	55	16.20	1	1	5	0.16	-	-	-	-
2.	Finance sector	2	31	99	21.49	1	5	18	7.44	1	5	15	1.40
3.	Infrastructure sector	3	98	367	205.16	1	6	31	25.45	-	-	-	-
4.	Manufacture sector	3	31	100	209.34	3	4	20	78.56	-	-	-	-
5.	Power sector	6	206	829	665.90	2	3	17	26.41	-	-	-	-
6.	Service sector	2	64	184	17.24	1	4	9	0.50	-	-	-	-
7.	Miscellaneous sector	1	1	1	0.04	-	-	-	-	-	-	-	-
	Total (A)	**19**	**449**	**1635**	**1135.37**	**9**	**23**	**100**	**138.52**	**1**	**5**	**15**	**1.40**
(B)	**Statutory corporations**												
1.	Finance sector	1	102	292	808.57	1	8	39	70.72	-	-	-	-
2.	Service sector	2	94	187	37.77	-	-	-	-	-	-	-	-
	Total (B)	**3**	**196**	**479**	**846.34**	**1**	8	**39**	**70.72**	**0**	**0**	**0**	**0**
	Grand Total (A+B)	**22**	**645**	**2114**	**1981.71**	**10**	**31**	**139**	**209.24**	**1**	**5**	**15**	**1.40**

Annexure-15
(Referred to in paragraph 4.20.2)
Statement showing the department wise draft paragraphs/performance audit replies to which were awaited

Sl. No.	Name of the Department	No. of Performance reviews	No. of draft paragraphs	Period/date of issue
1.	Energy	-	6	June 2009 to August 2009
2.	Industries	-	3	July 2009 to August 2009
3.	Mines	-	3	July 2009 to August 2009
4.	Tourism	-	1	August 2009
5.	Transport	-	-	July 2009
	Total	**-**	**13***	

* The figure represents the number of draft paragraphs whose replies have not been received from the Government. However, the replies of the management/Government to the factual statements have been considered in the respective draft paragraphs included in Audit Report (Commercial) 2008-09.